Minutes of Board Meeting
June 28, 2018
State Capitol – Room 309
Santa Fe, New Mexico

Present:
William Fulginiti, Vice Chair  Executive Director, NMML
Katherine Ulibarri, Treasurer  V/P for Finance/Operations, Central NMCC
Judi Kahl  Secretary Designee, NM Environment Dept.
A.J. Forte  Secretary Designee, Dept. of Finance & Administration
Steve Kopelman  Executive Director, NMAC
Matthias Sayer  Secretary Designee, NM Energy & Minerals

Absent:
John McDermott, Chair  McDermott Advisory Services, LLC
Blake Curtis  CEO, Curtis & Curtis
Juan Torres  Secretary Designee, Economic Development Dept.

Finance Authority Staff:
Angela Quintana  Bryan Otero
Carmela Manzari  Connie Marquez
Floyd Trujillo  John Brooks
Heather Boone  Joe Durr
Leslie Medina  Mark Lovato
Maria Gallardo  Marquita Russel
Michael Vonderheide  Mona Killian
Oscar Rodriguez  Robert Coalter
Ron Cruz  Zach Dillenback

Guests:
Anne Browne  Sutin, Thayer & Browne
Bonnie Hoke  Socorro Consolidated Schools
Clint Elkins  George K. Baum & Co.
Dan Hicks  Spaceport
Ellen Rabin  LFC
Gregory Borys  Morgan Stanley
Herb Ratcliff  Hyatt Tamaya
Hubert Quintana  City of Jal
Jonas Armstrong  LFC
1. Call to Order and Roll Call. Vice-Chair William Fulginiti called the meeting to order at 9:00 a.m. A roll call established a quorum.

2. Approval of Agenda.

   Member Ulibarri moved, seconded by Member Forte, to approve the agenda. The motion passed 6 - 0.

3. Approval of the May 24, 2018 Board Minutes.

   Member Ulibarri moved, seconded by Member Forte, for approval of the May 24, 2018 Board Minutes. The motion passed 6 – 0.

4. Report from Chief Executive Officer.
   ♦ Mr. Coalter reported on a successful Oversight Committee meeting in Santa Fe this past week. The next meeting is on July 6, 2018 in Grants with another meeting scheduled on August 6 in Red River where staff will present the Strategic Plan and other initiatives.
   ♦ EnAble Update: Mr. Floyd Trujillo presented documentation on the EnAble update. There are currently 18 open issues, 27 issues pending closing, and 7 work flow issues.

   Member Kopelman voiced concern about the delay in the project saying it is 18 months since the projected date for completion with 59 issues still outstanding. He expressed concern about getting the system online, finalized, and operational. Mr. Coalter responded that with the issues remaining the timeline for completion is the end of this calendar year noting that it has been difficult for the staff to go from not having a system to a fully automated one. Mr. Coalter said some of the timelines were too aggressive, as the amount of information requiring transfer from paper into electronic form was underestimated.

Report from the Disclosure Committee. (Committee members are William Fulginiti, Chair; Katherine Ulibarri and Secretary Duffy Rodriguez (Mr. A.J. Forte, designee for Secretary Rodriguez.)

5. Update on the NMFA/New Mexico Department of Transportation $420,090,000 2018A Subordinate Line Tax-Exempt Bond Sale. Mr. Michael Zavelle submitted the bond sale results.
NMFA sold $420,090,000 of NMDOT fixed rate revenue refunding bonds by competitive bid on June 7, 2018. The 2018A subordinate lien bonds closed on June 27, 2018. Proceeds of the bonds, totaling $489,235,049, terminated NMDOT’s complete synthetic fixed rate debt portfolio of $420,000,000 at better than a Net Present Value (“NPV”) cost of zero, a key transaction objective. Member Fulginiti served as Board designee for the bond sale.

Terminated elements of the synthetic fixed rate debt portfolio include $420,000,000 of Interest Rate Swaps, $220,000,000 of “Knock-In” Swaps, $284,800,000 of Direct Purchase Index Floating Rate Notes, $135,200,000 of Public Floating Rate Notes, $135,200,000 in Placement Agent Facilities, and $50,000,000 Collateral Posting Line-of-Credit.

The refinancing also eliminated the debt service cliff years of 2025 and 2026 reducing State Road Fund debt service obligations from about $109 million in each of those years to no more than $40 million from 2025 thru 2030.

Eight firms placed bids to purchase the 2018A bonds with Goldman Sachs the top bidder at a True Interest Cost of 2.497%. Other bidders, separated by 5.2bp, were Citigroup, JP Morgan, Wells Fargo, BAML, Jefferies, RBC, and Morgan Stanley.

Financial highlights of the 2018A bonds include an average life of 7.216 years (compared to the average life of all outstanding NMDOT bonds of 5.515 years) and a final True Interest Cost of 2.489%. Underwriter discount was an aggressive average of $1.29 per thousand dollars of bonds. The NMDOT 2018A bond issue exceeded all pre-financing objectives.

Mr. Marcos Trujillo, on behalf of the State Transportation Commission, Secretary Church, and staff, thanked the Board and NMFA staff for the work on the bond sale.

Report from the Finance & Loan Committee. (Committee members are William Fulginiti, Chair; Secretary Duffy Rodriguez (Mr. A.J. Forte, designee for Secretary Rodriguez), Ms. Katherine Ulibarri, and Mr. Steve Kopelman.)

6. Update on Activities. Member Fulginiti presented the Finance & Loan Committee report on items considered by the Committee.

7. Consideration and Recommendation for Approval of Santa Ana Hospitality Corp. (Sandoval County) – 2018 Tamaya Improvement & Expansion Loan – PPRF-4746. Santa Ana Hospitality Corporation (“SAHC”) applied to the Public Project Revolving Fund (“PPRF”) for $7,204,482 for various improvements and renovations at the Hyatt Regency Tamaya Resort ("Resort").

SAHC is a federally charted corporation under Section 17 of the Indian Reorganization Act of 1934 and is a wholly owned corporate entity of Santa Ana Pueblo ("Pueblo") created as a corporation with the principle focus of overseeing the Resort and its operations. The Pueblo owns the Resort and leases it to SAHC with SAHC utilizing a management agreement with Hyatt ("Operator") to operate the Resort. The Operator runs all aspects of the Resort except for one gift shop that has a store lease agreement with a private tenant. The Operator manages all revenues and expenses of the Resort
with SAHC having approval authorization of the expense budget annually receiving a 3% management fee based off the revenue that it generates. The Operator then sets aside 5% of revenue for the FFE reserve, as well as maintaining a reserve for operational cash. The remaining net income, turned over to SAHC, is the net income that SAHC is pledging as security and repayment of the PPRF loan.

Towards satisfying NMFA monthly debt service, the Operator will deposit debt service monthly in an account that NMFA willACH. This structure effectively positions the servicing of debt service senior to actual net income distributions to SAHC.

A subordination agreement between the Pueblo, SAHC, and NMFA requires that any obligations between the Pueblo and SAHC are subordinate to NMFA's loan. The Pueblo will also be liable for the NMFA loan if there are any changes with the lease arrangements surrounding the property or either one of the wholly owned corporate entities involved dissolve or file for bankruptcy. This carve-out guaranty in effect serves as a springing full faith and credit pledge of the Pueblo. The Pueblo shall maintain 1.20xs coverage annually on all general obligation debt.

Staff recommended approval with the contingency that the Operator pay the monthly deposit into an established account for NMFA debt service prior to paying deposits to the FFE and operational reserve funds.

Member Ulibarri moved, seconded by Member Kopelman, for approval of Santa Ana Hospitality Corp. 2018 Tamaya Project PPRF-4746. The motion passed 6 – 0.

8. Discussion regarding the request by the New Mexico Spaceport Authority to Release & Distribute Excess Pledged Revenues and Accrued Interest in the Bond Redemption Account. The New Mexico Spaceport Authority (“Spaceport Authority”) requested that the NMFA waive the bond redemption fund deposit, as required by the bond documents, for recently completed 2018 bond year so that the Spaceport Authority may receive all excess spaceport GRT after debt service plus interest earnings.

The Series 2010 Bond issuance created the Bond Redemption Fund so the Spaceport Authority could maximize proceeds from the bond sale to address costs related to its project. The overall structure of the Series 2010 Bonds resulted in a lower than typical annual coverage as established by PPRF policy; the Bond Redemption Fund helps protect the bondholder, in this case the Finance Authority, to ensure that sufficient cash balances exist to service both the Series 2009 and Series 2010 Bonds.

Spaceport GRT revenue generated for the 2018 bond year increased 6.3% over the previous year, resulting in annual debt service coverage of 1.22xs. This coverage remains below the 1.25xs minimum coverage that the PPRF typically employs for GRT credits, as well as being below the minimum coverage needed to forego a deposit into the Bond Redemption Fund. In addition to accepting a lower coverage threshold in lieu of the Bond Redemption Fund, the Series 2010 bonds contain a larger balloon-type payment in the final year, FY 2029.

As part of its request for excess revenue, the Spaceport Authority also requests interest earnings
generated within the Bond Redemption Account based off of the initial deposit of $565,656.19 from the excess revenues of the 2016 bond year. The amount of interest earnings generated in the account requested is $5,928.27. This is a new request for the NMFA Board to consider; previous excess revenue distributions to the Spaceport Authority have not included this revenue.

The Series 2009 and 2010 Bonds have call dates of June 1, 2019, and December 1, 2020, respectively. The Spaceport Authority received PPRF Legislative Authorization in the 2018 Regular Session (HB 99), which includes debt restructuring. With this authorization, it is possible to refund each series of bonds as they become eligible on a current basis, either on a technical or economic basis. This option could help address the larger debt service scheduled in FY 2029.

Mr. Dan Hicks provided a detailed presentation on the ongoing developments with the Spaceport Authority. Mr. Hicks reviewed what has changed, the status of the facilities, changes in staffing, capital outlay, and their growth plan.

Member Ulibarri noted the presentation was very informative saying she was pleased to hear about the progress made since last year learning about the southern road, the renewed emphasis at the federal level in the space industry and the strategy on staffing to get to competitive levels. Member Ulibarri commented that the Board’s due diligence is not for lack of support but rather the issue is the bond agreement which may be changed thereby running the risk of perception that bond agreements are not solid with the implication that investors and potentially rating agencies may lose confidence in the quality of the NMFA’s credit.

Member Forte echoed Member Ulibarri’s comments saying it was a good summary of the Board’s perspective. Member Forte said actually seeing the facility gave him a different perception seeing the people on the ground and the energy around the America’s cup with 1500 students from different countries.


In February 2015, the District received voter approval of $4,665,000 for school infrastructure valid for four years. The District will issue General Obligation Bonds (“Series 2018 Bonds”) for $1,105,000 that the NMFA will purchase with the PPRF. The Series 2018 Bonds will convert the 2017 Bond Anticipation Notes (“BAN”) PPRF-3744 into a permanent GO Bond structure. The District will use the BAN proceeds to design and construct a new athletic complex.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payment by the Department of Finance and Administration (“DFA”) should the District default.

The 2017 audit received an unmodified opinion with 4 findings of which 2 were significant deficiencies. The District provided a corrective action plan.
Member Kopelman moved, seconded by Member Ulibarri, for approval of Chama Valley Independent School District Project PPRF-4755. The motion passed 5 – 0 with Member Forte out for the vote.

10. Consideration and Recommendation for Approval of City of Jal (Lea County) – 2018 Street Improvement Loan – PPRF-4752. The City of Jal (“City”) applied to the Public Project Revolving Fund (“PPRF”) for $4,422,273 to finance street improvement projects including complete updating and reconstruction of 4th, 5th, 6th, 7th, Minnesota, E Sandy, Thornton, Mesquite, Oak and Rocky Road streets.

The City will pledge its distribution of the 1st and 2nd increments of the Municipal Infrastructure GRT, Gasoline Tax Revenue and the 1st - 4th increments of the recently enacted Municipal Capital Outlay GRT towards the repayment of this loan.

The 2017 audit received a qualified opinion with 13 findings of which, 2 were repeat material weaknesses, 1 new material weakness, and 1 new significant deficiency. The City provided a corrective action plan.

Member Kopelman moved, seconded by Member Ulibarri, for approval of City of Jal Project PPRF-4752. The motion passed 6 – 0.

11. Consideration and Recommendation for Approval of City of Deming (Luna County) – 2018 Street Improvement Loan – PPRF-4751. The City of Deming (“City”) applied to the Public Project Revolving Fund (“PPRF”) for $1,500,000 to finance street improvement projects.

The City received voter approval in March 2018 for the City’s first ever GO bond issuance in the amount of $3,000,000 for road improvements. The City will issue General Obligation Bonds (“GO Bond”) in the amount of $1,500,000 which NMFA will purchase with the PPRF.

The GO Bond principal payments will be structured with the August 2019 first payment of $317,000 representing about 21% of the borrowed amount thereby reducing payment risk. The front loaded principal payment and subsequent principal schedule allows the City to establish a 1.5 mill levy rate and allows for future borrowing needs while maintaining the established mill rate.

The 2017 audit received an unmodified opinion with zero findings.

Member Ulibarri moved, seconded by Member Forte, for approval of City of Deming Project PPRF-4751. The motion passed 6 – 0.

12. Consideration and Recommendation for Approval of Socorro Consolidated School District (Socorro County) – Series 2018 GO Bond – PPRF-4753. The Socorro Consolidated School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for $1,000,000 for school improvements.

The District received voter approval in February 2017 for $5,000,000 for school infrastructure. The
District will issue General Obligation Bonds ("GO Bond") in the amount of $1,000,000 which NMFA will purchase with the PPRF. The bond proceeds will fund a combination of the voter approved improvements including the cost of issuance.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payment by the Department of Finance and Administration ("DFA") should the District default.

The 2017 audit received an unmodified opinion with 10 findings including 2 material weaknesses and 1 significant deficiency. The District submitted a corrective action plan.

**Member Kopelman moved, seconded by Member Forte, for approval of Socorro Consolidated School District Project PPRF-4753. The motion passed 6 – 0.**


In February 2017 the District, received voter approval for $800,000 for school infrastructure projects identified in the District’s 2015-2020 Facility Master Plan. The District will issue General Obligation Bonds ("GO Bond") in the amount of $300,000 which NMFA will purchase with the PPRF.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payment by the Department of Finance and Administration ("DFA") should the District default.

The 2017 audit received an unmodified opinion with 4 findings, 2 considered significant deficiencies. The District provided a corrective action plan

**Member Forte moved, seconded by Member Ulibarri, for approval of Carrizozo Municipal School District Project PPRF-4750. The motion passed 6 – 0.**

**14. Consideration and Recommendation for Approval of Guadalupe County, Puerta de Luna VFD – 2018 Equipment Loan – PPRF-4754.** Guadalupe County ("County") applied to the Public Project Revolving Fund ("PPRF") on behalf of the Puerta De Luna VFD for $65,693 to finance the costs associated with the purchase of a new Fire Brush truck and respective equipment.

The County’s fire department has an ISO class rating of six, with one main station receiving an annual base distribution of $58,584 from State Fire Protection Funds. The County has $80,000 in accumulated fire protection funds to apply to the purchase.

The 2017 audit received an unmodified opinion with zero findings.
Member Kopelman moved, seconded by Member Forte, for approval of Guadalupe County, Puerta de Luna VFD Project PPRF-4754. The motion passed 6 – 0.

15. Consideration and Recommendation for Revised Approval of Doña Ana MDWCA (Doña Ana County) – Water & Wastewater Projects – CIF-4634. Revised approval owing to additional Severance Tax Bond funds available for 2018 CIF Projects. Southeast Collection System – design and construction of wastewater collection lines – Recommended Funding: 90% grant - $970,928 and 10% loan - $107,881 totaling $1,078,809.

Member Ulivarri moved, seconded by Member Forte, for revised approval of Doña Ana MDWCA Project CIF-4634. The motion passed 6 – 0.

16. Consideration and Recommendation for Revised Approval of Grant County – Drainage & Flood Control Projects – CIF-4644 Revised approval attributable to additional Severance Tax Bond funds available for 2018 CIF Projects. Rosedale Road Phase II reconstruction and safety improvements - Recommended Funding: 90% grant - $970,928 and 10% loan - $107,881 totaling $1,078,810.

Member Kopelman moved, seconded by Member Sayer, for revised approval of Grant County Project CIF-4644. The motion passed 6 – 0.

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

17. Update on Activities. The Economic Development Committee met on June 20, 2018. Staff reviewed the private lending portfolio and its recommendation for final approval of a NMTC allocation for Vitality Works, Inc. The Committee and staff recommend approval of item #18 that follows.

18. Consideration and Recommendation for Final Approval of Vitality Works, Inc. – New Markets Tax Credit Application - $7,000,000 – 3813-NMTC. Staff recommended final approval of Vitality Works, Inc.’s final Tax Credit Application.

Interest-only loan (Qualified Low Income Community Investment or “QLICI”) in the amount of $6,790,000 made to Vitality Works, Inc. (“VWI”) at a blended interest rate now estimated at 1.35886% and projected coverage in excess of 1.25xs. The QLICIs will be made by Finance New Mexico-Investor Series XXII with capital provided from qualified equity investment (QEI) made by the FNM Investment Fund XXII which will be 100% owned by US Bancorp Community Development Corporation. A loan of $4,908,900 from VWI-8500 Bluewater Road, LLC with an interest rate estimated at 1% will partially fund the QEI.

VWI proposes to use the NMTC proceeds for expansion of its manufacturing plant to accommodate new growth opportunities including the purchase of warehouse, manufacturing, and quality control testing equipment.

Mr. Bryan Otero reviewed the proposed resolution authorizing the sale by Finance New Mexico LLC to Vitality Works, Inc.
Member Kahl moved, seconded by Member Ulibarri, for final approval of the resolution authorizing Vitality Works, Inc. Project 3813-NMTC. The motion passed 6 – 0.

Report from 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.)


20. Compliance Exceptions Report. Ms. Heather Boone referred to the Exceptions Tracking Report contained in the Board Book. The IT controls and reporting is complete with a determination made on how to treat vendors having access to the system. The Water programs documentation specifically the policies and are on hold with completion scheduled with the EnAble implementation.

21. Discussion and Approval of the FY 2019 Budget. Mr. Oscar Rodriguez presented the FY2019 budget for Board consideration. Mr. Rodriguez noted the budget is flat with no new programs; it does include a capital budget. Mr. Coalter said he would like a Board subcommittee to assist with building acquisition with Member Kopelman as Chair.

Member Ulibarri moved, seconded by Member Forte, for approval of the FY2019 budget. The motion passed 5 – 0 with Member Sayer out for the vote.

Strategic Planning Task Force Report (Ms. Katherine Ulibarri, Mr. Wilian Fulginiti, Mr. Juan Torres, Mr. Steve Kopelman, and Mr. Santiago Chavez)

22. Strategic Planning Status Report. Member Ulibarri reported on the Strategic Planning Task Force meeting of June 25, 2018. The Task Force reviewed the final version of Phase 1 of the Strategic Plan and reviewed details of Phase 2 dealing with community outreach to solicitors: input.

Ms. Boone reviewed the Strategic Planning timeline through September 30, 2018. In response to a request from Member Ulibarri, the Board, via consensus, authorized moving forward with Phase 2 of the Strategic Plan.

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

23. Update on Activities. Mr. Bryan Otero presented the Contracts Committee report. The Committee met on June 25, 2018 to approve an award of contract to Bank of NY Mellon to provide Arbitrage Services for the NMDOT Bond Program, discussed the 2018 Underwriter Pool Process, and received an update on the Internal Auditor RFP.

NMFA issued an RFP on April 23, 2018 to select six underwriters as senior managers of the Fiscal Year 2019 PPRF and Standalone Bond Underwriter Pool and two underwriters as alternative co-managers.

Designated senior managers are Morgan Stanley, Bank of America/Merrill Lynch, Wells Fargo, RBC Capital Markets, JP Morgan, and Stifel Nicolaus. Serving as alternative co-manager from the senior manager proposers is Piper Jaffray with Fidelity as alternate co-manager from those submitting co-manager proposals only.

Staff recommends that the Board approve RFP results and that the FY19 PPRF and Standalone Board Underwriter Pool proceed from July 1, 2018 to June 30, 2019 per the chart of underwriter takedown commitments and initial underwriter assignments. Policy covers change in assignments and substitution of co-managers should a conflict arise and an underwriter be unable to serve.

**Member Ulibarri moved, seconded by Member Forte, for approval of FY19 PPRF & Standalone Bond Underwriter Pool Selection and Underwriter Takedown Commitments and Initial Underwriter Assignments. The motion passed 5 – 0 with Member Sayer out for the vote.**

25. **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).**

Vice-Chair Fulginiti entertained a motion for the NMFA Board of Directors to go into Executive 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 10-15-1 (H) (7).

**Member Ulibarri moved, seconded by Member Kopelman, 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 with Member Sayer out for the vote.**

**RETURN TO OPEN MEETING**

**Member Kopelman moved, seconded by Member Ulibarri, to return to open session. The motion passed 5 – 0 with Member Sayer out for the vote.**

Vice-Chair Fulginiti 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.”

26. **Next Board Meeting**
   Thursday, July 26, 2018 – 9:00 a.m.
   State Capitol, Room 309
   Santa Fe, NM

27. **Adjournment**
Member Forte moved, seconded by Member Ulibarri, to adjourn the meeting. The motion passed 6-0.

The meeting adjourned at 11:30 a.m.

[Signature]
Secretary

[Signature]
Date

New Mexico Finance Authority
Board Meeting
June 28, 2018