

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

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

**Present:**

John McDermott, Chair  
Katherine Ulibarri, Treasurer  
Matthew Lovato  
Judi Kahl  
Santiago Chavez

McDermott Advisory Services, LLC  
V/P for Finance/Operations, Central NMCC  
Secretary Designee, NM Energy & Minerals  
Secretary Designee, NM Environment Dept.  
Designee, Executive Director, NMAC

**Absent**

William Fulginiti, Vice Chair  
A.J. Forte  
Juan Torres  
Blake Curtis

Executive Director, NMML  
Secretary Designee, Dept. of Finance & Administration  
Secretary Designee, Economic Development Dept.  
CEO, Curtis & Curtis

**Finance Authority Staff:**

Bryan Otero  
Connie Marquez  
Frank Ibarra  
Joe Durr  
Heather Boone  
Mark Lovato  
Michael Vonderheide  
Oscar Rodriguez  
Ron Cruz

Carmela Manzari  
Dan Opperman  
Floyd Trujillo  
John Brooks  
Leslie Medina  
Marquita Russel  
Michael Zavelle  
Robert Coalter  
Zach Dillenback

**Guests:**

Zach DeGregorio  
Jonas Armstrong  
Pamela S. Fanelli  
Ramon M. Lucero  
Roseann Peralta  
Susen Ellis  
Suzanne Bruckner

Spaceport Authority  
LFC  
City of Albuquerque  
Sauder Miller & Associates  
City of Belen  
BOKF  
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 Kahl moved, seconded by Member Ulibarri, to approve the agenda. The motion passed 5 - 0.

## 3. Approval of the June 28, 2018 Board Minutes.

Member Ulibarri moved, seconded by Member Kahl, for approval of the June 28, 2018 Board Minutes. The motion passed 4 – 0 with Chair McDermott abstaining.

## 4. Report from Chief Executive Officer.

- ◆ At the NM Oversight Committee meeting scheduled in Angel Fire, NM on August 8 & 9, 2018, discussion topics include Strategic Plan presentation, PPRF legislative discussion, and charter school financing.
- ◆ Mr. Coalter addressed Member Kopelman's concerns regarding EnAble reporting that he hired a Project Manager, Mr. Wesley Miller, with Mr. Floyd Trujillo assisting. Mr. Trujillo noted that work continues on issues and a new plan and methodology to share with Board.
- ◆ Mr. Miller highlighted his background and work experience. Mr. Miller said he is in the discovery phase identifying issues, determining how best to address them, and subsequently develop a plan with a realistic date for plan completion.

Chair McDermott commented the Board has seen several project schedules stating different times of delivery so there is not a track record the Board has confidence in. He continued that, as Board Chair, he would like by the next Board meeting to know what is complete, which pieces of the project are truly problematic and the causes for the delays.

**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.)*

## 5. Update on Activities.

Member Ulibarri presented the Finance & Loan Committee report on items considered by the Committee.

## 6. Consideration and Recommendation for Approval of General Services Department, State of New Mexico – 2018 Property Acquisition and Improvement Loan – PPRF-4769.

The New Mexico Department of Health (“NMDOH”) and the New Mexico General Services Department (“NMGSD”) have jointly applied to the Public Project Revolving Fund (“PPRF”) for \$57,931,302 for the acquisition and improvement of the Fort Bayard Medical Center (“FBMC”)

Mr. Ron Cruz noted this item is for discussion only. The NMDOH exercised its option to acquire by purchasing the FBMC with the title to facility in the name of the Facilities Management Division (“FMD”) of the NMGSD. As part of the acquisition of the FBMC, the purchase price will require redemption of the 2008 Bonds, reimbursement to Grant County of approximately \$51,071,805, and approximately \$200,000 for the unimproved value of the underlying 5 acres of land. The NMDOH/NMGSD will use the projected savings of approximately \$8,733,877 to fund

improvements at the FBMC of approximately \$7,701,014.62 leaving an overall saving of approximately \$1,000,000 for building improvements.

The revenue for loan repayment will be Occupancy Agreement payments made by NMDOH to the FMD of the NMGSD and then pledged by FMD/NMGSD. The New Mexico Legislature annually appropriates Occupancy Agreement payment amounts, and NMGSD and NMDOH will enter into an agreement allocating responsibilities for ongoing maintenance at the facility.

Staff will maximize proceeds with current market rates not to exceed the minimum 1.00xs loan coverage limits and Board approval requirements. The PPRF Loan Management Policies allows for maximized loans when staff has specifically identified the loan as such in the recommendation, the applicant meets minimum coverage requirements, and the maximized increase is within 10% of what the Board approved. The Board of Finance will also consider the project at their August meeting.

The 2017 audit received a multiple opinion (qualified opinion on incomplete records of land owned by GSD) including 2 findings, one a material weakness for land reconciliations.

Discussion ensued on the reason for the financing and why financing is being sought through the NMFA.

7. **Consideration and Recommendation for Approval of City of Las Cruces (Doña Ana County) – 2018 Pool Structure Enclosure Loan – PPRF-4756.** The City of Las Cruces (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$9,600,000 to construct a permanent pool enclosure for an approximately 20,000 sq. ft. pool constructed via separate financing.

The proceeds will fund construction, design fees, owners “soft” costs (testing, quality control and contingency funds), furniture, fixtures, parking, and secure courtyards with outdoor seating. The City will pledge its 3/8ths distribution of the Hold Harmless (0.375%) towards the loan.

The 2017 audit received an unmodified opinion with zero findings.

**Member Ulibarri moved, seconded by Member Chavez, for approval of City of Cruces Project PPRF-4756. The motion passed 5 – 0.**

8. **Consideration and Recommendation for Approval of Gallup-McKinley County School District Series 2018 General Obligation Bonds – PPRF-4757.** The Gallup-McKinley County School District No. 1 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$6,500,000 for school infrastructure.

In February 2017, the District received voter approval of \$25,000,000 for school infrastructure valid for four years. The District will issue General Obligation Bonds in the amount of \$6,500,000 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 including 2 significant deficiencies. The District provided a corrective action plan.

**Member Ulibarri moved, seconded by Member Chavez, for approval of Gallup-McKinley County School District Project PPRF-4757. The motion passed 5 – 0.**

9. **Consideration and Recommendation for Approval of City of Albuquerque (Bernalillo County) – Series 2018 Fire Building Loan – PPRF-4770.** The City of Albuquerque-Albuquerque Fire Rescue (“AFR”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,735,517 for acquisition and renovation of an existing facility.

The facility will serve as a fleet maintenance and repair center servicing several emergency response vehicles for the AFR. The AFR currently has an ISO rating of 1 with sixteen main stations and eight substations receiving an annual base distribution of \$1,566,320 from State Fire Protection Funds.

The 2017 audit received an unmodified opinion with 16 findings of which 4 were prior year significant deficiencies and 1 new material weakness. The AFR submitted a corrective action plan.

Chair McDermott asked if the audit addresses the City overall or a specific department. Discussion ensued regarding the audit. The AFR noted that the City’s audit originally had 40 findings reduced to 15 in 2017.

**Member Ulibarri moved, seconded by Member Chavez, for approval of City of Albuquerque Project PPRF-4770. The motion passed 5 – 0.**

10. **Consideration and Recommendation for Approval of Village of Corrales (Sandoval County) – Series 2018 General Obligation Bond – PPRF-4761.** The Village of Corrales (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,000,000 for public buildings and public safety.

In 2018, the Village received voter approval of \$45,000,000 for police and fire department infrastructure and facilities, and public buildings. The Village will issue General Obligation Bonds in the amount of \$2,000,000 which NMFA will purchase with the PPRF.

The 2017 audit received an unmodified opinion with 2 findings, one a significant deficiency for improper year-end accruals.

**Member Ulibarri moved, seconded by Member Chavez, for approval of Village of Corrales Project PPRF-4761. The motion passed 5 – 0.**

- 11. Consideration and Recommendation for Approval of Lordsburg Municipal School District (Hidalgo County) – Series 2018 General Obligation Bond – PPRF-4762.** The Lordsburg Municipal School District No. 1 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,500,000 for school infrastructure.

The District received voter approval in February 2018 for \$1,500,000 valid for four years. The District will issue General Obligation Bonds in the amount of \$1,500,000 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 2 findings, neither a material weakness nor significant deficiency.

**Member Ulibarri moved, seconded by Member Chavez, for approval of Lordsburg Municipal School District Project PPRF-4762. The motion passed 5 – 0.**

- 12. Consideration and Recommendation for Approval of Hatch Valley Public Schools (Doña Ana County) – Series 2018 General Obligation Bonds – PPRF-4768.** The Hatch Valley Public School District No. 11 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$650,000 for school infrastructure.

The Hatch Valley Public School District (“District”) received voter approval in February 2017 for \$2,500,000 for projects identified in the District’s 2015 – 2020 Facility Master Plan. The District will issue General Obligation Bonds for \$650,000 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 16 findings including 2 material weaknesses and 2 significant deficiencies. The District submitted a corrective action plan.

Mr. Eric Harrington, RBC Capital Markets (“RBC”), advised the Board that RBC Capital Markets learned that Las Uvas Dairy located in Hatch, NM, and is their largest taxpayer, is filing for bankruptcy and going through liquidation. Mr. Harrington said RBC reviewed the financing plan and there will be a reduction in the debt service noting that if the District sees further decline in their assessed value, they may not issue the remaining authorized bonds.

In response to a question from Chair McDermott, Mr. Dillenback said staff was not aware of the bankruptcy. Mr. Coalter recommended tabling action to next month allowing for further review by staff.

**Member Ulibarri moved, seconded by Member Chavez, to table Hatch Valley Public Schools Project PPRF-4768. The motion passed 5 – 0.**

- 13. Consideration and Recommendation for Approval of Village of Floyd (Roosevelt County) – 2018 Fire Equipment Loan – PPRF-4758.** The Village of Floyd (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$499,265 to purchase firefighting equipment to support fire suppression efforts.

The Village of Floyd currently has an ISO rating of 6 with two main stations receiving an annual base distribution of \$117,168 from State Fire Protection Funds.

The 2017 audit received an unmodified opinion with 1 finding, a significant deficiency for an overspent budget.

**Member Ulibarri moved, seconded by Member Chavez, for approval of Village of Floyd Project 4758. The motion passed 5 – 0.**

- 14. Consideration and Recommendation for Approval of City of Belen (Valencia County) – 2018 Equipment Loan – PPRF-4760.** The City of Belen (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$163,728 to purchase one Wheel Loader for street work and retention pond clearing and cleaning.

The City will use Gas Tax as pledged revenue towards the loan.

The 2017 audit received an unmodified opinion with 5 findings including 2 significant deficiencies. The City submitted a corrective action plan.

Discussion followed on a ten year repeated significant deficiency and the reasons for carrying forward for several years.

**Member Ulibarri moved, seconded by Member Chavez, for approval of City of Belen Project PPRF-4760. The motion passed 5 – 0.**

- 15. Consideration and Recommendation for Approval of City of Belen (Valencia County – 2018 Equipment Loan – PPRF-4767.** The City of Belen (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$163,728 to purchase one Wheel Loader for the Waste Water Department sledge beds.

The City will pledge the Wastewater Net Systems Revenue towards the loan.

The 2017 audit received an unmodified opinion with 5 findings including 2 significant deficiencies. The City submitted a corrective action plan.

**Member Ulibarri moved, seconded by Member Chavez, for approval of City of Belen Project PPRF-4767. The motion passed 5 – 0.**

**16. Consideration and Recommendation for Approval of Sangre de Cristo Regional MDWC & MSW (Guadalupe County) – 2018 Net System Revenue Refunding Loan – PPRF-4764.** Sangre de Cristo Regional Mutual Domestic Water Consumers and Mutual Sewage Work (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$106,772 to refund two Series 2005 USDA loans.

The Series 2005A loan and Series 2005B loan, issued for \$62,600 and \$64,400 respectively, funded improvements to the Los Sisneros Mutual Domestic Water Consumers and Mutual Sewage Works Association’s (“Association”) water system with forty year terms and an interest rate of 4.125%.

In 2007, the Association, with surrounding communities of Dilia, Upper Dilia, La Loma, Llano del Medio, Anton Chico, and Upper Anton Chico, discussed regionalization of their respective systems. In 2007, associations dissolved their individual MDWCAs’ and formed under the Public Regulation Commission the District. Leveraging the funding from the Series 2005 A and B loans, the District immediately secured \$4,982,000 from various resources. Between approximately 2005 and 2008, the District completed regional water system improvement projects for the seven communities.

The District notified the USDA of the disbanding of the Association and the creation of the new regionalized association. In spring 2018, new employees at the USDA contacted and informed the District that they are not an authorized USDA borrower on the Series 2005 A and B loans thus the request to refund the loans to pay off the USDA. This loan is a technical refunding with the maturity of the refunding bonds matching the term of the refunded bonds.

The District pledged Net System Revenues as security and repayment of the loan. Using 2017 net revenues of \$11,101, staff determined debt service coverage of 1.64xs.

**Member Ulibarri moved, seconded by Member Chavez, for approval of Sangre de Cristo Regional MDWC & MSW Project PPRF-4762. The motion passed 5 – 0.**

**17. Consideration for Approval of Resolution Consenting to the Amendment of New Mexico Spaceport Authority Bond Resolution Allowing (i) the Release and Distribution, For Fiscal Year 2018 Only, of All Excess Pledged Revenue, and (ii) the Liquidation and Distribution, for Fiscal Year 2018 Only, of all Accrued Interest in the Bond Redemption Account.** The New Mexico Spaceport Authority (“Spaceport Authority”) requested the NMFA waive the bond redemption fund deposit, as required by the bond documents, for the recently completed 2018 bond year so the Spaceport Authority may receive all excess spaceport GRT revenue after debt service plus interest earnings.

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. The coverage remains below the 1.25xs minimum coverage that the PPRF typically utilizes for GRT credits and is 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 2029, the final year.

Additionally, the Spaceport Authority 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, as 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 Opperman reviewed the consent resolution, including a third amendment to the Spaceport Authority sale resolution, explaining that it is nearly identical to action taken last year, namely a one-time release for 2018 from the bond redemption account. The difference, however, is the request for release of interest earning.

Upon receiving clarification of the resolution related to the bond redemption and the interest earned, Member Ulibarri said she appreciates the need for the Spaceport Authority to work on a budget that is competitive with other spaceports around the country; however, is not in favor of setting a new precedent by releasing the interest earnings. Member Ulibarri said she is more comfortable with maintaining the precedent set the last two years with the waiver and the current distribution adding that she does not support releasing the interest earnings. Chair McDermott agreed with Member Ulibarri noting the well understood mechanism in place to protect this loan and voiced support for not releasing interest earnings from the bond redemption account.

Mr. Opperman said that based on the Board's action today, he will revise the resolution consistent with the vote and circulate to the Spaceport for appropriate action to be taken.

**Member Ulibarri moved, seconded by Member Chavez, for approval of an amended resolution of the New Mexico Spaceport Authority Bond Sale Resolution, waiving the requirement to make a contribution to the Bond Redemption Account for FY2018 only, providing for the release and distribution by the NMFA to the Spaceport Authority for FY 2018 only of all excess revenues pledged to the payment of the bonds, and excluding distribution of the interest in the bond redemption account. The motion passed 5 - 0.**

- 18. Consideration and Recommendation for Approval of Sierra Vista Hospital (Sierra County) – Third deferral Period, Modifying Existing Loan Call Dates, and Debt Restructuring Summary - PPRF-3416.** Sierra Vista Hospital (“Hospital”) applied to the Public Project Revolving Fund (“PPRF”) for \$30,220,000 – PPRF-3416 and \$4,985,000 – PPRF-2830, third deferral period, modifying existing loan call dates, and debt restructuring summary.

The Hospital formally requested temporarily deferring loan repayments pending the restructuring of Sierra Vista Hospital's debt with the NMFA. Additionally, the Hospital requests utilizing the Debt Services Reserve Fund to cover any debt service shortfall until implementation of the project improvement plans.



The Hospital has suffered operational challenges that significantly deteriorated its financial position so much so that the Hospital's ability to meet its current debt obligations is at risk. The Hospital received approval from the NMFA Board at the January and April meetings for three-month payment deferral periods. The deferred July payment is last payment covered under the NMFA Board approved six-month payment deferral period.

The Hospital requests an additional deferral period on the existing 2016 PPRF loan agreement (PPRF-3416). While the previous deferral periods have been for three months each, this payment deferral period would be for five months providing sufficient time to close on the proposed restructuring of the 2012 Sierra County ER Loan (PPRF-2830) and the 2016 SVH Revenue Loan (PPRF-3416). Since a semi-annual loan payment comes due during the pending third deferral period, an additional draw from the existing debt service reserve fund will be needed in order to meet scheduled debt service.

The Hospital has been working on resizing the original project so the new hospital facility only provides cost reimbursable services, in addition to reducing the overall debt burden down to a more sustainable level. The re-design of the new hospital facility is nearly complete with the CT scan area being the final piece. The current cost estimate for the new facility is approximately \$23.7 million, down from the ~\$29 million project fund that the 2016 loan closed with.

The most significant piece of the debt restructuring is reducing size the 2016 SVH Revenue Loan to the Hospital's actual expenditures on the new facility. With the need for immediate cash flow relief for Hospital operations, the debt restructuring significantly reduces debt service expense for the Hospital in FY 2019 and 2020.

The debt restructuring of the 2012 Sierra County ER Loan and the 2016 SVH Revenue Loan involves some new transactional expenses related to resizing each loan's respective Debt Service Reserve Fund, funding a new Capitalized Interest Fund, and covering any applicable costs of issuance from the Hospital.

The Hospital is currently in violation of the expected debt service coverage ratio covenant required by the 2016 loan agreement. The proposed debt restructuring brings the Hospital back into compliance with the 1.30xs expected coverage ratio based upon QHR's 2019 financial analysis of Hospital revenues. To offset potential future risk, NMFA will hold senior position with approving authority on all future additional debt. Additionally, NMFA will continue to hold a contingent intercept on all of the locally pledged GRT from the Hospital's member entities.

The Hospital intends to seek capital outlay funding during the upcoming 2019 regular session. If successful in securing any capital outlay, the Hospital anticipates using the capital award as a reduction to the outstanding principal balance of the PPRF loan. In order to accommodate this scenario, the call feature of the debt restructuring will be at NMFA's approval.

The previous two-deferral periods have been governed by a separate letter agreement between the Hospital and NMFA that establishes expectations and requirements, continued ongoing reporting, and further preservation of NMFA's rights as creditor. The proposed third deferral period will utilize the same process.

Documenting debt restructuring requires a new loan agreement between NMFA, the Hospital, and its member entities replacing the 2012 Sierra County ER Loan (PPRF-2830) and the 2016 SVH Revenue Loan (PPRF-3416). The earliest date that the Hospital could close on a debt restructuring package is November 9, 2018. Closing on the debt restructure will void out the letter agreement covering the third deferral period.

Staff recommends approval of:

- The Hospital's third deferral period request starting August 1, 2018 through December 31, 2018;
- Modify the call feature of the 2012 Sierra County Emergency Room Loan (PPRF-2830) from 11/16/2002 to 11/1/2018; and
- Modify the call feature of the 2016 SVH Revenue Loan (PPRF-3416) from 05/24/2026 to 11/1/2018.

The Sierra County Manager and the City Manager for the City of Truth or Consequences, on behalf of the citizens and community, thanked the Board and staff for collaborating in resolving this matter.

**Member Chavez moved, seconded by Member Ulibarri, for approval of the third deferral period, modifying existing loan call dates, and debt restructuring. The motion passed 5 – 0.**

**19. Consideration and Recommendation for Approval of Sierra Vista Hospital (Sierra County) – 2018 New Hospital Loan Restructuring – PPRF-4773.** The Sierra Vista Hospital (“Hospital”) applied to the Public Project Revolving Fund (“PPRF”) for \$25,495,991 to restructure its closed 2016 PPRF-3416 loan.

The restructuring will:

- Downsize the loan to the Hospital's new construction costs established by the new facility redesign;
- Create and fund a new Capitalized Interest Fund; and
- Resize Debt Service Reserve Fund.

The Hospital expects construction completion by the end of February when it will have taken occupancy of the facility. The Capitalized Interest Fund will cover debt service expense on the restructured loan through 11/1/2019, providing critical cash flow relief to the Hospital now and for the next year. Similar to the original 2016 loan, there will be contingent intercepts on the various pledged GRT revenues which NMFA can activate if the Hospital is late on its loan repayment.

The loan restructure brings the Hospital back into compliance; however, the Hospital's net revenue is a volatile revenue stream possibly influenced by external factors beyond their control. The loan coverage is below typical PPRF requirements requiring a waiver.

The 2017 audit received an unmodified opinion with 7 findings including 3 material weaknesses and 1 compliance finding.

**Member Chavez moved, seconded by Member Ulibarri, for approval of Sierra Vista Hospital 2018 New Hospital Loan Restructuring with waiver as requested. The motion passed 5 – 0.**

- 20. Consideration and Recommendation for Approval of Sierra County/Sierra Vista Hospital – 2018 Emergency Room Loan Restructuring – PPRF-4774.** Sierra County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for \$3,577,500 to restructure its closed 2012 PPRF-2830 loan.

The restructuring will:

- Extend the loan term ten years from its current 2032 maturity date to 2042 to lower annual debt service; and
- Resize Debt Service Reserve Fund.

Given the nature and circumstances of this restructuring staff did not incorporate a new origination fee into the structure. Reducing the annual debt service through this restructuring is critical to the restructuring of the 2016 SVH Revenue Loan and for the Hospital to be able to meet its debt obligations. The restructuring increases the overall coverage on this loan from 1.32xs to 1.94xs. NMFA will continue to have an active intercept on the pledged revenues.

**Member Chavez moved, seconded by Member Ulibarri, for approval of Sierra Vista Hospital Project PPRF-3416. The motion passed 5 – 0.**

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

- 21. Update on Activities.** The Economic Development Committee met on July 17, 2018. The Committee reviewed the Private Lending Portfolio Report and staff recommendation for final approval of prioritization for Round 26 ranking of New Market Tax Credit Applications. The Committee recommends approval of item #22 that follows.
- 22. Consideration and Recommendation of an Approval of Prioritization for Round 26 Ranking of New Market Tax Credit Applications.** Approval of prioritization for Round 26 ranking of New Markets Tax Credit (“NMTC”) applications.

Eleven applicants submitted applications as part of NMTC Round 26 with a team of three evaluating each application. Of the eleven received, two applicants met the policy requirements of at least 60 points and moderate readiness. The Finance New Mexico Advisory Board also reviewed the projects and recommends approval.

Staff will complete its due diligence in the priority order established by the Board to determine if the project is able to meet NMFA’s underwriting criteria and is able to close within five months. Staff will recommend the project to both Boards for Preliminary Approval, which sets the parameters for a NMTC financing, including the amount of NMTC allocation, the cash flow and collateral requirements and the

specific, quantifiable economic or community development “deliverables” to be achieved with the financing. Projects receiving Preliminary Approval get 90 days to execute a financing term sheet and an additional 60 days to document and close the transaction.

**Member Kahl moved, seconded by Member Ulibarri, for final approval of prioritization for Round 26 ranking of New Market Tax Credit Applications. The motion passed 5 – 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.)*

**23. Update on Activities.** Member Ulibarri reported on the Audit Committee meeting of July 23, 2018. The Committee approved the award of contract to provide Internal Audit Services with a recommendation to the full Board for consideration, discussed the External Audit RFP, and discussed the receipt of notification of a significant resignation in the Accounting Department and received feedback on plan going forward to cover the resignation.

**24. Compliance Exceptions Report.** Ms. Heather Boone referred to the Exceptions Tracking Report contained in the Board Book.

Ms. Boone reported the only update this month was on the Board training and orientation with the draft materials going to the Executive Committee in August. With Mr. Miller on board, there is more movement on the procedures with processing being drafted. Chair McDermott noted he would welcome additional thoughts on how to get milestones and observable indicators around system projects providing the Board on activities and what the Board can do in allocating resources or responsibility to break through issues. In response to Chair McDermott’s comment regarding the issue being on the exceptions report for two years as a critical issue, Mr. Coalter said that Mr. Miller and Ms. Boone would address to provide accountability and transparency.

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

**25. Strategic Planning Status Report.** Presentation of the Strategic Planning Status Report. Three items were briefly discussed, namely discussions from the focus group, a subsequent presentation to the New Mexico Oversight Committee, and final objectives presented to the Board by the end of September..

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

**26. Update on Activities.** Mr. Bryan Otero presented the Contracts Committee report. The Committee met on July 23, 2018 to approve award of contract to provide Internal Audit Services with a recommendation to the full Board for consideration.

- 27. Consideration for Approval of an Award of Contract for Internal Audit Services.** The Audit and Contracts Committees recommend approval of the Request for Proposals (“RFP”) results and authorization to proceed with a three-year Professional Services Agreement (“PSA”) with Deloitte.

The NMFA issued an RFP on April 27, 2018 to select an Internal Audit service provider. The Evaluation Committee scored and discussed the results on June 12, 2018 with four firms invited to present responses to specified questions before the Committee.

Final presentations were conducted June 20, 21 and 25 with revised scoring completed on July 12, 2018. Of the four firms Deloitte scoring highest with a competitive rate proposal. Deloitte included in its response a request to modify/ clarify certain terms of the NMFA’s standard PSA including adding a provision for commercially reasonable limitations on liability. The Committees requested inclusion of a clause for termination for cause or no cause. If approved, the NMFA will begin negotiations with Deloitte on a PSA.

**Member Chavez moved, seconded by Member Kahl, to award contract for Internal Audit Services to Deloitte. The motion passed 5 – 0.**

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

- 28. Update on Activities.** Mr. Mark Lovato reviewed the Investment Committee report including Total Invested Funds and NMFA Portfolio Performance.

- 29. 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 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 Chavez, 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.”

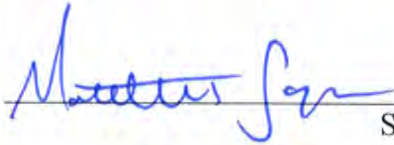
- 30. Next Board Meeting**

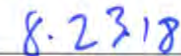
Thursday, August 23, 2018 – 9:00 a.m.  
State Capitol, Room 309  
Santa Fe, NM

**31. Adjournment**

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

The meeting adjourned at 11:30 a.m.

  
\_\_\_\_\_  
Secretary

  
\_\_\_\_\_  
Date