Minutes of Board Meeting
November 29, 2018
State Capitol – Room 311
Santa Fe, New Mexico

Present:
William Fulginiti, Vice Chair
Ken McQueen, Secretary
Judi Kahl
Steve Kopelman
A.J. Forte
Juan Torres
Blake Curtis (via conference)

Executive Director, NMML
Secretary, NM Energy & Minerals
Secretary Designee, NM Environment Dept.
Executive Director, NMAC
Secretary Designee, Dept. of Finance & Administration
Secretary Designee, Economic Development Dept.
CEO, Curtis & Curtis

Absent:
Katherine Ulibarri, Chair

K. Ulibarri Consulting LLC

Finance Authority Staff:
Bryan Otero
Connie Marquez
Frank Ibarra
Joe Durr
Heather Boone
Leslie Medina
Mark Lovato
Oscar Rodriguez
Todd Johansen

Carmela Manzari
Dan Opperman
Floyd Trujillo
John Gasparich
LaRain Valdez
Maria Gallardo
Michael Vonderheide
Ron Cruz
Zach Dillenback

Guests:
Arvind Patel
Anne Browne
Carol Gonzales
Dustin Middleton
Evan Kist
George Kubin
Joel Berman
John Stomp
Kate Fletcher
Max Perez
Paul Ludi
Ryan Salvador

Pueblo Acoma
Sutin Thayer & Browne
Belen Schools
Cibola County
RBC Capital Markets
Bank of Albuquerque
Albuquerque/Bernalillo WUA
Albuquerque/Bernalillo WUA
Cibola County
Belen Schools
Cibola County
Pueblo of Acoma
1. **Call to Order and Roll Call.** Chair Katherine Ulibarri called the meeting to order at 9:00 a.m. A roll call established a quorum.

2. **Approval of Agenda.**

   Member McQueen moved, seconded by Member Kopelman, to approve the agenda. The motion passed 7 - 0.

3. **Approval of the October 25, 2018 Board Minutes.**

   Member Kopelman moved, seconded by Member Forte, for approval of the October 25, 2018 Board Minutes. The motion passed 6 – 0 with Member Torres abstaining.

4. **Report from Chief Executive Officer.** Mr. Gasparich’s report included the following:
   ♦ 2019 Board & Committee Meetings Schedule
   ♦ EnEnable Update – Mr. Floyd Trujillo presented a brief overview of accomplishments, year-to-date, and programs currently live and functional. Mr. Gasparich noted the NMFA Oversight Committee heard this presentation at the November meeting.
   ♦ Update on Proposed Legislation – Mr. Gasparich reviewed the NMFA’s 2019 legislative package. Member Kopelman asked about the proposed 3P legislation. Mr. Gasparich said LFC is spearheading the discussion with any proposed legislation coming through them. Discussions at numerous meetings included a proposal to return $40M originally swept from the NMFA to support private-public projects.

   **Report from the Finance & Disclosure Committee.** *(Committee members are Katherine Ulibarri, Chair; Mr. William Fulginiti, (Mr. Juan Torres, designee for Secretary Matt Geisel), and Mr. Blake Curtis)*

5. **Update on Activities.** Awaiting arrival of Chair Katherine Ulibarri.

6. **Results of the PPRF 2018D and 2018E Bond Sales** Mr. Michael Zavelle presented the results of the PPRF 2018D and 2018E bond sales.

   NMFA sold $70,205,000 of PPRF subordinate lien tax-exempt bonds on Wednesday, November 14 and $53,310,000 of PPRF senior lien tax-exempt bonds on Thursday, November 15, both by negotiated sale. The 2018D senior lien bond senior manager was Bank of America Merrill Lynch with Wells Fargo and RBC as co-managers. The 2018E subordinate lien bond senior manager was Morgan Stanley with JPMorgan and Stifel as co-managers. The sales utilized delegation authority with Board Vice-Chair Bill Fulginiti and Interim CEO John Gasparich signing the bond purchase agreements on behalf of the Board. The sale and final structuring of the bonds closed in a timely manner so that investor commitments wrapped up soon after the sale concluded a benefit in attracting investors.

   The bond sales: 1) reimbursed the senior lien for $59.5 million in loans; 2) reimbursed the subordinate
lien for $23.7 million in loans; 3) refinanced Fort Bayard Medical Center bonds not held by NMFA while enabling GSD to purchase the property on behalf of the Department of Health; and, 4) provided $5.8 million in new money for Fort Bayard upgrades.

Both bonds sold into the most difficult municipal market facing the PPRF in several years, especially for maturities beyond 10 years, yet both generally outperformed the market. While a few new investors placed orders, top industry names, and frequent PPRF buyers, dominated the order list. While the 2018D maturities from 2029 to 2032 required a 1bp upward adjustment in spread to sell, numerous other maturities ended with 2-4bp downward spread adjustments.

Report from the Public Lending 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.)

7. Update on Activities. Member Fulginiti presented the Public Lending Committee report on items discussed by the Committee.

8. Consideration and Recommendation for Approval of Pueblo of Acoma (Cibola County) – 2019 Water & Solid Waste Enterprise – PPRF-4813. The Pueblo of Acoma (“Pueblo”) applied to the Public Project Revolving Fund (“PPRF”) for $1,818,644 for two projects, the construction of a new transfer station and the purchase and installation of water meters throughout the system.

The current arrangement does not provide a recessed area for drop-offs, but rather sits at grade requiring users to throw their solid waste up and over the edge into the compactor or large item bins. The funding will complete a design/build delivery method with a new transfer station including the necessary vehicle and equipment purchases for the overall operation.

The second project will purchase and install water meters throughout the 750 water system connections within the jurisdiction of the Pueblo of Acoma Utility Authority. Currently the connections to the public water system pay a flat rate fee based on their user classification; however, a flat rate fee does not promote or encourage conservation. The Pueblo believes installing water meters and appurtenances throughout will promote conservation, adequately charge for the services provided, and offer a pathway for a more solvent operating utility.

The Pueblo will repay the loan with gross revenue of the Authority’s Solid Waste and Water revenues in addition to satisfying monthly NMFA debt service. The Pueblo created a separate account for all gross revenues from which they will deduct NMFA’s monthly payments before any operating expenses. Should the Solid Waste or Water Authority have a shortfall in covering debt service expenses, the Pueblo pledged its full faith and credit to NMFA guaranteeing repayment and significantly reducing risk at the Authority’s Water and Solid Waste Enterprise level.

The 2016 audit received an unmodified opinion with 1 finding, a significant deficiency. The Pueblo corrected the deficiency. The 2017 audit should be available by year end.

Member Fulginiti moved, seconded by Member Kopelman, for approval of Pueblo of Acoma Project PPRF-4813. The motion passed 7 – 0.

The District received voter approval in February 2016 of $16,000,000 for various school projects and improvements. The District will issue General Obligation Bonds for $6,300,000 which NMFA will purchase through 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 19 findings including 2 materials weaknesses and 2 significant deficiencies. The District submitted a corrective action plan.

Member Fulginiti moved, seconded by Member Kopelman, for approval of Belen Consolidated School District Project PPRF-4873. The motion passed 7 – 0.


In August 2018, the County received voter approval of $51,000,000 for various school projects and improvements. The County will issue General Obligation Bonds in the amount of $2,550,000 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 9 findings including 2 significant deficiencies. The County provided a corrective action plan.

Member Fulginiti moved, seconded by Member Kopelman, for approval of Valencia County Project PPRF-4876. The motion passed 6 – 0 with Member Forte out for the vote.

11. Consideration and Recommendation for Approval of Albuquerque Bernalillo County Water Users Association – Water Line Replacement – DW-4877. The Albuquerque Bernalillo County WUA ("Association") applied to the Drinking Water State Revolving Loan Fund ("DWSRLF") for $3,430,081 to finance the continuation of the South Valley water system improvements project connecting approximately 300 households.

The project, in the Los Padillas community, is a phase of the larger South Valley Drinking Water Project including Phases 7b, 7c, and 7d which are designed and ready to be constructed, completing
the last phase of the system. Contamination from leaking underground petroleum storage tanks, septic tank effluent, and agricultural irrigation endanger the shallow domestic wells currently servicing the community.

Member Fulginiti moved, seconded by Member Kahl, for approval of Albuquerque Bernalillo County CWA Project DW-4877. The motion passed 6 – 0 with Member Forte out for the vote.

12. Consideration and Recommendation for Amended Approval of Cibola County, Bluewater VFD – Building Addition – PPRF-3761. Staff recommends approving an amendment to Bluewater FD Loan, PPRF-3761 building addition.

In 2017, NMFA closed on a $403,023 fire loan with Cibola County (“County”) on behalf of the Bluewater FD (“District”) at a disadvantaged rate. The bids received for the project exceeded total revenues available by approximately $150,000. The District has not drawn funds and wishes to pay off the loan. Staff recommends amending the loan making it callable upon 1 year of the original closing date, September 1, 2017, allowing the District to pay off the loan and apply for funding for the total amount needed to complete the project.

Member Fulginiti moved, seconded by Member Kopelman, for amended approval of Cibola County Project PPRF-3761. The motion passed 7 – 0.

13. Consideration and Recommendation for Approval of Cibola County, Bluewater VFD – 2018 Fire Station Addition – PPRF-4809. Cibola County, Bluewater VFD (“County”) applied to the Public Project Revolving Fund (“PPRF”) for $554,157 to finance an addition to the fire station for the Bluewater Fire District (“District”).

The County applied for this same project in June 2017 and received approval for Project PPRF-3761 for $403,023; however, the bids were higher than the loan amount. NMFA intends to pay off existing loan PPRF-3761 with Cibola County re-applying for a new loan for the amount required to complete the project.

The District will pledge State Fire Protection Funds as the revenue source for this loan. The District has an ISO rating of 3 with one main station receiving an annual base distribution of $70,919. The County qualifies for disadvantage funding based on the policy in place from original loan PPRF-3761.

The 2017 audit received a Disclaimer Opinion with 18 findings including material weaknesses and significant deficiencies.

Discussion ensued on Board concerns with the audit. Ms. Kate Fletcher noted that mismanagement across the board caused the errors. She noted that with the changes in personnel, progress is evident over the past 7 months which the County plans to translate to zero findings in 2018.

Member Fulginiti moved, seconded by Member Kopelman, for amended approval of Cibola County, Bluewater VFD Project PPRF-4809. The motion passed 7 – 0.
14. Consideration and Recommendation for Approval of City of Lovington (Lea County) - 2018 Fire Equipment Loan – PPRF-4874. The City of Lovington applied to the Public Project Revolving Fund ("PPRF") for $1,397,788 to purchase firefighting equipment.

The City is constructing a 9,878 sq. ft. fire station with proceeds approved under PPRF-4723 in April 2018 which will house the requested aerial apparatus.

The City currently has an ISO rating of four with one main station receiving an annual base distribution of $64,750 from State Fire Protection Funds. The City will pledge the second increment of the Municipal Gross Receipts Tax and a portion of State Fire Protection Funds.

The 2017 audit received an unmodified opinion with 9 findings including 4 material weaknesses and 3 significant deficiencies. The City provided a corrective action plan.

Member Fulginiti moved, seconded by Member Kahl, for approval of City of Lovington Project PPRF-4874. The motion passed 6 – 0.

15. Consideration and Recommendation for Approval of Village of Folsom Fire Department (Union County) - 2018 Fire Equipment Loan – PPRF-4872. The Village of Folsom Fire Department ("Department") applied to the Public Project Revolving Fund ("PPRF") for $124,796 to purchase a Wildland Fire tanker and respective equipment.

The Village will pledge State Fire Protection Funds as the revenue source. The Village has an ISO class rating of 6 with two main stations receiving an annual base distribution of $117,168. The Village qualifies for 0% disadvantaged funding, and is contributing $150,000 toward the purchase.

The FY2017's Agreed upon Procedures had four repeated findings, one a material weakness and two significant deficiencies. The Village submitted a corrective action plan.

Member Fulginiti moved, seconded by Member Torres, for approval of Village of Folsom Fire Department Project PPRF-4872. The motion passed 7 – 0.

16. Consideration and Recommendation for Amended Approval of Village of Rodarte MDWCA (Taos County) - Water Project - DW-4797. The Village of Rodarte MDWCA ("Association") applied to the Drinking Water State Revolving Loan Fund ("DWSRLF") for amended approval reducing the term of the loan to 7 years from the approved 22 years, changing the loan amount to include the addition of the DWSRLF principal forgiveness subsidy, and removing the cost of issuance ("COI") and changing the repayment terms.

In September 2018, the Association received approval for $53,158 to fund the external and internal rehabilitation of an existing 22,500 gallon water storage tank. The approval was for a loan of $53,158 with a one-percent COI; however, the approved loan did not include a DWSRLF principal forgiveness subsidy. The term was 22 years with a coverage ratio of 3.31xs and an interest rate of .25%.

The Association discovered an error regarding the number of active connections, a key factor in determining both the DWSRLF principal forgiveness subsidy and the subsequent interest rate. The error
resulted from staff underwriting all 52 members of the Association as active members including 21 inactive members for the disadvantaged test.

In repeating the test, results were above the threshold of one and one-half percent (1.855%) which defines a severely disadvantaged entity. With the updated affordability ratio of 1.885%, the Association qualifies as a severely disadvantaged entity eligible for up to 75% subsidy and no COI on the funding package lowering the loan amount to $13,158 and added DWSRLF principal forgiveness subsidy in the amount of $39,474. The new coverage ratio is 3.41xs.

Member Fulginiti moved, seconded by Member Kahl, for amended approval of Village of Rodarte Project DW-4797. The motion passed 6 – 0 with Member McQueen out for the vote.

17. Consideration and Recommendation for Approval of PPRF Loan Management Policy Amendments. Mr. Zach Dillenback reviewed the summary of proposed PPRF Loan Management Policy Changes

The Board last approved amendments in November 2015 changing certain areas pertaining to a newly established ‘Audit Policy’, modest changes to the PPRF pricing structure, increases to the Disadvantaged Entity Funding, and other minor changes.

Changes in the market at national and local levels, changes in pricing delegation, and changes affecting overall PPRF portfolio management, necessitate applicable and conforming policy amendments to the PPRF Loan Management Policy. The following summarizes the larger proposed amendments:

- **Determination of Market Interest Rates (Section 2.2A):** Proposed changes in this section better allow the borrower’s ability to delegate pricing authority. Removed is certain ongoing loan interest rate reporting to the Investment Committee.

- **Disadvantaged Funding (Section 2.2C):** Proposed changes in this section modify the criteria by which a disadvantaged entity would qualify for Disadvantaged Funding including:
  - New inserted policy language better tracks with language in PPRF Rules;
  - The base Disadvantaged Funding budget will be $5 million in any given year;
  - The NMFA Board has the ability to approve a larger Disadvantaged Funding budget for the subsequent fiscal year if the State has not diverted 20% or more of GGRT to the General Fund in the current fiscal year. The Disadvantaged Funding budget should not exceed $10 million in any year;
  - Disadvantaged infrastructure loans will be equal to 10% of the loan being treated with disadvantaged interest rates not to exceed $500k;
  - Disadvantaged equipment loans receive 100% of loan with disadvantaged interest rates not to exceed $150k;

- **Loan Pre-payment/Call Features (Section 3.2G):** New language better defines how NMFA staff shall determine what a given PPRF loan’s pre-payment or call features shall be, as well as treatment of loans when the borrower has gross funded outstanding amounts due through the original pre-payment date.
- **Refinancing PPRF Loans (Section 6.2A):** PPRF Policy prohibits advance refunding of an existing loan unless the refunding is to prevent a default. Certain other refinancing PPRF loan policy language that was in place to protect the PPRF portfolio during the PPRF loan and bond call feature ‘mismatch’ period has been removed or modified appropriately given that the period has lapsed and run its course.
- **Minor changes throughout.**

Member Fulginiti moved, seconded by Member Torres, for approval of the PPRF Loan Management Policy Amendments. The motion passed 7 – 0.

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

18. **Update on Activities.** The Economic Development Committee met on November 16. In addition to reviewing the Private Lending Portfolio Report, they discussed Opportunity Zones/Funds and reviewed item #19 which appears on today’s agenda.

Member Torres presented an update on the Tax Cut and Jobs Act of 2017 which included a program called Opportunity Zones allowing States to designate from existing census tracts under the New Markets Tax Credits. The Governor designated 25% of those tracts as so called Opportunity Zones which would remain in place for ten years providing for investors that have unrealized capital gains, to realize those gains by depositing them into an Opportunity Zone fund and then deploying at least 90% of those funds into Opportunity Zones. In New Mexico, the designated 25% equates to 63 tracts. The group has been working with communities to identify viable projects, creating a WEB page with a layered map, and have been communicating with potential fund managers to determine interest in setting up funds in New Mexico. Discussions included Finance New Mexico staff to explore the role the Finance Authority might take with staff bringing information or action items to the Board within the next year.

19. **Consideration and Recommendation for a Final Approval of New Markets Tax Credit Application for Urban Hospitality, LLC.** Mr. John Brooks requested final approval of the NMTC application for Urban Hospitality, LLC.

Interest-only loan in the amount of $14,550,000 made to Urban Hospitality NM, LLC (“UHNM”) at a blended interest rate at 4.61331% and projected coverage of 1.22xs. Finance New Mexico-Investor Series XXIV will make the loans with capital provided from qualified equity investment (“QEI”) made by the FNM Investment Fund XXIV which will be 100% owned by an investor now anticipated to be Wells Fargo Community Investment Holdings, LLC (“WFCIH”). A loan of $10,089,950 from New Mexico Bank and Trust will partially fund the QEI.

Urban Hospitality NM, LLC proposes to use the NMTC proceeds to construct a 138-room Marriott Springhill Suites, including a floor to be leased to Ronald McDonald House Charities (“RMHC”), located at the Highlands development in Albuquerque. This $25.2 million project is the first phase of a 10-acre mixed use redevelopment project that will include multi-family housing and commercial facilities.
Mr. Dan Opperman reviewed the resolution for final approval of the UIINM application. Member Curtis commented that this is a unique project benefiting communities and the State.

**Member Torres moved, seconded by Member Kopelman for final approval of the NMTC application for Urban Hospitality, LLC and corresponding resolution. The motion passed 7 – 0.**

Member Torres thanked staff for the work over the past year, the adoption of the strategic plan, and for allowing him to participate on the Board.

**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. **Update on Activities.** Ms. Heather Boone reported on the Audit Committee meeting of November 16, 2018. The Committee reviewed the status of the Internal Audit Contract and the Audit Committee charter.

21. **Approval of the Quarterly Statements.** Mr. Oscar Rodriguez reviewed the statements for July 1 through September 30, 2018.

**Member Torres moved, seconded by Member Kopelman, for approval of the quarterly statements. The motion passed 7 – 0.**

22. **Consideration and Recommendation of the Committee Charter for Audit Committee.** On September 27, 2018, the NMFA Board approved changes to the Board committee structure and asked each committee to review the proposed changes. The Audit Committee reviewed the proposed modification at the November 16 meeting and recommends approval by the full Board. Ms. Boone reviewed the recommended changes.

Member Kopelman raised a question regarding the authority given to the Audit Committee rather than the full Board in terms of appointing, retaining, evaluating, terminating, or overseeing the Internal Auditor. Member Kopelman felt the authority seemed broader than the authority the committee would normally have. Mr. Opperman noted the contract would go to Finance and Disclosure, the committee authorized through the Board approved Procurement Policy, to approve contracts under $250,000 per year; however, anything over that amount goes to the full Board.

Member Kopelman felt the language may be inconsistent with how it actually operates because the Audit Committee may oversee but does not appoint or retain. Mr. Opperman said staff can work on the language noting that in the past the Audit Committee typically submits a recommendation to another committee or to the full Board, in compliance with the Board approved Procurement Policy.

Member Forte moved, seconded by Member Kopelman for approval of the Audit Committee Charter with the caveat that staff work on the paragraph regarding authority to appoint the internal auditor. The motion passed 7 – 0.

24. 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 and the Tri-County Community Services, Inc. Behavioral Healthcare Loan 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 and the Tri-County Community Services, Inc. Behavioral Healthcare Loan -as allowed by NMSA 1978, Section 10-15-1 (H) (7).

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

RETURN TO OPEN MEETING

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 the International Bank Loan Participation and Tri-County Community Services, Inc. Behavioral Healthcare Loan.”

25. Next Board Meeting
Thursday, January 24, 2019 – 9:00 a.m.
Santa Fe County Commission Chambers
102 Grant Avenue
Santa Fe New Mexico

26. Adjournment

Member Torres moved, seconded by Member Kopelman, to adjourn the meeting. The motion passed 7-0.

The meeting adjourned at 11:30 a.m.

[Signature]
Secretary

[Date] 11/24/19