

New Mexico Finance Authority
207 Shelby St.
Santa Fe, NM 87501
(505) 984-1454
Minutes of Board Meeting
February 28, 2019
Santa Fe County Commission Chambers
Santa Fe, New Mexico

Present:

Katherine Ulibarri, Chair	K. Ulibarri Consulting, LLC
Steve Kopelman, Secretary	Executive Director, NMAC
James Kenney	Secretary, NM Environment Dept.
Olivia Padilla-Jackson	Secretary, Dept. of Finance & Administration
Juan Torres	Designee for Secretary Alicia Keyes, Economic Dev.
Matthew Lovato	Designee for Secretary Sarah Cottrell Propst, NMENRD
Blake Curtis	CEO, Curtis & Curtis

Absent:

William Fulginiti, Vice Chair	Executive Director, NMML
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Finance Authority Staff:

Bryan Otero	Carmela Manzari
Connie Marquez	Dan Opperman
Frank Ibarra	Floyd Trujillo
Joe Durr	John Brooks
John Gasparich	Heather Boone
Mark Lovato	Michael Vonderheide
Oscar Rodriguez	Todd Johansen
Zach Dillenback	

Guests:

Anne Browne	Sutin Thayer & Browne
Ferran Lucero	Town of Clayton
Marcos Trujillo	NMDOT
Matthew Gonzales	Village of Cimarron
Ryan Jewell	Yearout
Susen Ellis	Bank of Albuquerque
Suzanne Bruckner	Sutin Thayer & Browne

- 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 Padilla-Jackson moved, seconded by Member Torres, to approve the agenda. The motion passed 7 - 0.

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

Member Torres moved, seconded by Member Kopelman, for approval of the January 24, 2019 Board Minutes. The motion passed 7 – 0.

4. Report from Chief Executive Officer. Mr. Gasparich' s report included the following:

- ◆ EnAble Update – Mr. Floyd Trujillo briefly reviewed progress on the EnAble Project highlighting the dashboard and progress to date at 93%. The vendor was on site last week assisting with deliverables in the last phase for the Economic Development programs. Staff will be starting invoicing and activity statement verification. Legacy testing for the PPRF program continues on track.
- ◆ Update on Proposed 2019 Legislation – Mr. Gasparich briefly reviewed the progress of NMFA legislation and responded to questions from the Board regarding individual bills. Discussion ensued on the Public Private Partnership initiative.

Report from the Finance & Disclosure Committee. *(Committee members include Katherine Ulibarri, Chair; Mr. William Fulginiti, Secretary Designate Alicia Keyes, and Mr. Blake Curtis)*

5. Update on Activities. Member Ulibarri reported the Finance & Disclosure Committee meeting held on February 20, 2019. The item discussed follows on the agenda.

6. 2019A Bond Sale Report. Mr. Michael Zavelle reported on the 2019A bond sale. The PPRF subordinate lien tax-exempt 2019A series bonds sold on February 13, 2019 in the par amount of \$37,145,000 with the bonds closing on February 26, 2019. Lead manager was Wells Fargo with Bank of America Merrill Lynch and Morgan Stanley as co-managers. Chair Kathy Ulibarri served as Board designee for the sale. The proceeds of the bonds reimburse the PPRF for 20 loans for \$42,775,699.

The PPRF 2019A bonds mature in 2036 with an average life of 9.159 years and an effective interest rate on a true interest cost (TIC) basis of 2.868%. The 10-year call is June 15, 2028.

The 2019A bonds were sold into a market that by day's end was categorized by municipal underwriting banks across the market as a "buyer's revolt." All municipal bonds struggled to attract investors after a \$940 million GO transaction for Washington DC came to market at yields 3-5bp higher than expected. DC found investor resistance nonetheless. The 2019A underwriters ended underwriting \$11 million in maturities in 2020 and from 2023 to 2028, the segment of the interest curve of most market interest to investors so far in 2019.

7. Consideration & Approval of the Second Amendment to the BNSF Taxable Revolving Line of Credit Agreement (NMDOT). NMFA staff recommends approval of the New Mexico Finance

Authority resolution approving and authorizing the second amendment extending the term of the BNSF Taxable Revolving Line of Credit provide by Wells Fargo Bank.

On behalf of NMDOT, NMFA has in place a \$50,000,000 rolling line of credit with Wells Fargo Bank to satisfy BNSF requirements in conjunction with the Rail Runner project. Should this line not be in place, NMDOT would be required to borrow \$50M through a bond issue and invest the proceeds in no longer than 90-day US Treasury instruments held by the Trustee. The line of credit facility is unique in that, not meeting certain conditions, provides a third party, BNSF, the ability to draw the line. If the line is fully drawn, NMDOT must issue bonds to repay and close the line. Conditions include a minimum ratings requirement for the bank providing the line, minimum credit ratings for NMDOT's senior lien bonds, and a minimum time period within which extension of the line can be trigger

NMFA's and NMDOT's original approval was for a rolling line of credit having a three-year maturity that can be extended for an additional three years every three years if Wells Fargo, NMFA and NMDOT all agree and if terms remain unchanged. Wells Fargo has agreed to extend the line for an additional three years until June 2022 under existing terms and NMDOT has passed a resolution to do so.

Never drawn to date, the "BNSF" line of credit is almost certain never to be drawn. At this time, there is no ending date to the requirement that NMDOT has in place either a \$50 million bond issue, a \$50 million line of credit or a \$50 million letter of credit as a hedge against a catastrophic accident.

Staff responded to questions regarding the relationship with BNSF and the purpose of the line of credit.

Member Padilla-Jackson moved, seconded by Member Torres, for approval of the Second Amendment to the BNSF Taxable Revolving Line of Credit Agreement (NMDOT). The motion passed 7 – 0.

Report from the Public Lending Committee. (*Committee members include William Fulginiti, Chair; Secretary Olivia Padilla-Jackson, Secretary James Kenney, and Mr. Steve Kopelman.*)

8. Update on Activities.

9. Consideration and Recommendation for Approval of City of Truth or Consequences (Sierra County) 2019 Law Enforcement Equipment – PPRF-4895. The City of Truth or Consequences ("City") applied to the Public Project Revolving Fund ("PPRF") for \$103,833 to purchase Law Enforcement equipment including In-Car Camera System, Body Worn Cameras, and a Police Radio Repeater.

The City will pledge its 7th (.125%) and 8th (.125%) increments of the Municipal Local Option GRT as repayment for the loan which the City will receive at a disadvantaged rate.

The 2017 audit received an unmodified opinion with 8 findings, none a material weakness nor a significant deficiency.

Member Kopelman moved, seconded by Member Torres, for approval of City of Truth or Consequences Project PPRF-4895. The motion passed 7 – 0.

- 10. Consideration and Recommendation for Approval of Lincoln County Arabela Fire Department – Equipment – PPRF-4894.** Lincoln County Arabela Fire Department applied to the Public Project Revolving Fund (“PPRF”) for \$30,227 to complete a fire equipment purchase to support fire suppression in Lincoln County.

The Station received both a 2019 Fire Protection Grant and an AFD Capital Outlay Grant but needs approximately \$30,000 to complete the purchase. The County will contribute \$316,024 towards the project.

The Station has an ISO rating of 6 with one main station and one substation receiving an annual base distribution of \$58,584 from State Fire Protection Funds. The loan also qualifies for .10% disadvantaged funding.

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

Member Torres moved, seconded by Member Lovato, for approval of Lincoln County, Arabela Fire Department Project PPRF-4895. The motion passed 7 – 0.

- 11. Consideration and Recommendation for Approval of Pueblo of Acoma (Cibola County) – Water Meters and Transfer Station – PPRF-4813.** Acoma Pueblo, (“Pueblo”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,818,664 for two separate projects, the construction of a new transfer station, and the purchase and installation of water meters throughout the water system.

This project originally received Board approval on November 29, 2018; however, is on for reconsideration because the Pueblo’s Tribal Council decided not to commit their General Obligation as a secondary pledged revenue in the event of a shortfall.

Acoma will be repaying the loan with the Gross Revenue of the Authority’s Solid Waste and Water revenues. The Pueblo agreed to create an ACH agreement in which NMFA will deduct monthly payments before any operating expenses. In the event that either Solid Waste or Water Authority has a shortfall in covering debt service expenses, the Pueblo is also pledging an Investment Account with NMFA retaining a secured interest through a Deposit Control Agreement. The Agreement should not impede the Pueblo’s ability to buy, sell and trade; however, the total value of the account, which includes investments and cash equivalents, shall not drop below a minimum value established for the account. The minimum asset value for the account calculates 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 that the value of the account declines to a level below the established minimum, the Pueblo will immediately post collateral into the account in an amount no less than the deficiency.

The 2017 audit received an unmodified opinion with 3 findings including 1 material weakness. Acoma provided a corrective action plan.

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

- 12. Consideration and Recommendation for Approval of Catron County, Wild Horse Fire Department – 2019 Equipment Loan – PPRF-4896.** Catron County, Wild Horse Fire Department, applied to the Public Project Revolving Fund (“PPRF”) for \$176,655 to finance the purchase of a new Fire Engine.

The Department has an ISO rating of 9 receiving a minimum yearly Fire Protection Fund allocation of \$39,058 which the Department will pledge as the revenue source for this loan. The County will receive 10% disadvantaged funding totaling \$150,000.

The 2017 audit received an unmodified opinion with 6 findings none a material weakness nor a significant deficiency.

Member Torres moved, seconded by Member Kopelman, for approval of Catron County, Quemado Fire Department Project PPRF-4896. The motion passed 7 – 0.

- 13. Consideration and Recommendation for Approval of Town of Clayton (Union County) – 2018 Building Improvements – PPRF-4897.** The Town of Clayton (“Town”) applied to the Public Project Revolving Fund (“PPRF”) for \$386,453 to finance infrastructure and improvement costs for the Town Hall, Dispatch Center, and Civic Center.

The Town secured grant funding from the Department of Finance and Administration totaling \$111,569. The total project cost is \$461,000.

The Town will pledge the third and fourth increments (0.0625% each) of Municipal Infrastructure GRT (“MIGRT”) as security and repayment of this loan. Staff utilized a three year average of revenues resulting in \$61,896 to determine debt service coverage 1.42xs.

The 2017 audit received an unmodified opinion with 4 findings including 1 significant deficiency. The Town provided a corrective action plan.

Member Curtis moved, seconded by Member Padilla-Jackson, for approval of Town of Clayton Project PPRF-4897. The motion passed 7 – 0.

- 14. Consideration and Recommendation for Approval of Village of Cimarron (Colfax County) – 2019 Ambulance & Equipment – PPRF-4898.** The Village of Cimarron (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$102,256 to purchase a new 2019 ambulance chassis and respective equipment.

The Village will pledge the first increment (0.25%) of the Municipal Gross Receipts Tax (“MGRT”) as security and repayment of this loan. Staff utilized a three year average of revenues resulting in \$30,399 to determine debt service coverage at 2.93xs.

The FY2017 audit received a qualified opinion including nine findings, 4 repeated significant deficiencies and 5 material weaknesses, 4 repeated. The Village submitted a corrective action plan.

In response to a request from Chair Ulibarri, Mr. Zach Dillenback updated the Board on the executive order regarding audit control and its impact on NMFA operations. Mr. Dillenback explained the process and the requirements in satisfying NMFA requirements.

Discussion including staffing and turnover, its effect on submitting late audits, and progress made with new staff.

Member Torres moved, seconded by Member Kenney, for approval of Village of Cimarron Project PPRF-4898. The motion passed 7 – 0.

- 15. Consideration and Recommendation for Amended Approval of Miami DWUA (Colfax County) – Water Project – DW-4799.** Staff recommends approval of DW-4799 changing the loan amount to \$10,500, reducing the DWSRLF principal forgiveness subsidy to \$10,500, lowering the loan amount, and changing the repayment term to seven years.

The Miami Domestic Water Users Association (“Association”) received NMFA Board approval in September 2018 for \$202,600 to fund the design and construction of a Disinfection By-Products Treatment and Reduction System. The approval included a \$50,650 loan and DWSRLF principal forgiveness subsidy of \$151,950 with a term of 22 years, a coverage ratio of 4.23xs, and a .25% interest rate.

In January 2019, the Association informed the NMFA that they would not need the full DWSRLF award as the water system received grant funding from the Army Corps of Engineers. Accordingly, the Association changed the project scope by removing the construction portion of the project reducing the amount to \$21,000 for planning and design.

Staff based the Association's initial 75% DWSRLF principal forgiveness subsidy on 25% compliance with federal construction requirements and 50% on the entities economic status. Eliminating the construction element reduced the subsidy to 50%. The Association further requests reducing the repayment terms from 20 years to five while maintaining the standard two year construction period. The new coverage ratio is 5.64xs.

Member Torres moved, seconded by Member Kopelman, for amended approval of Miami DWUA Project DW-4799. The motion passed 7 – 0.

Report from the Economic Development Committee. *(Committee members are Secretary Alicia Keyes, Chair, Secretary Sarah Cottrell Propst, and Mr. Blake Curtis.)*

- 16. Update on Activities.** The Economic Development Committee met on February 19th. In addition to reviewing the Private Lending Portfolio Report, the members considered the item that appears on today's agenda under item #17.
- 17. Consideration and Approval of the Modification of Collateral for the New Markets Tax Credit Financing to Continental Divide Electric Cooperative – Phase III.** Continental Divide Electric Cooperative (“CDEC”) requests NMFA’s approval to modify the collateral that will secure the “B” Note in the NMTC transaction with NMFA.

CDEC requested approval to modify the collateral for the NMTC transaction originally approved in October 2018. The proposed modification simplifies the collateral pool with the expectation that it will result in a faster consent from USDA and RUS for CDEC to undertake additional debt for this phase of the broadband project. This request switches the collateral from a defined subset of CDEC’s real property to a Certificate of Deposit held at Wells Fargo Bank. The value of the Certificate of Deposit will be the equivalent of the expected Exit Fee of the NMTC “B” Note. In addition to strengthening the collateral for the Finance New Mexico loan, switching to a CD will significantly speed up the closing of the NMTC transaction and reduce the legal fees as well.

Mr. John Brooks noted that there is sufficient collateral and cash to cover the Exit Fee and the full “B” Note in the event of default. The structure meets the requirements of the NMTC Policies and should secure RUS' consent to close this transaction.

Member Torres moved, seconded by Member Curtis, to approve the modification of collateral for the NMTC financing to Continental Divide Electric Cooperative – Phase III. The motion passed 7 – 0.

Report from the Audit Committee. *(Committee members are Secretary Olivia Padilla-Jackson, Chair, Ms. Katherine Ulibarri, Mr. Steve Kopelman, and Secretary Sarah Cottrell Propst)*

- 18. Update on Activities.** Member Padilla-Jackson reported the Committee met on February 21, 2019 with one action item for consideration.
- 19. Consideration and Recommendation for Approval of 2nd Quarter Financial Statements.** Mr. Oscar Rodriguez reviewed the budget report and quarterly financial statements.

For the benefit of new Board members, Member Kopelman requested staff provide the Board with a listing of the NMFA’s vendors with amounts paid out. Chair Ulibarri said the upcoming orientation could include that review. As the financial statements were not included in the Board Book, Chair Ulibarri noted the Board could approve today without the benefit of sufficient time to review, or could table for approval at the next meeting.

Member Kopelman moved, seconded by Member Torres, to table approval of the quarterly financial statements. The motion passed 7 – 0.

20. Presentation of Approved FY2018 Audit Report by External Auditor, Moss Adams, LLC.

Mr. Aaron Hamilton communicated the 2018 NMFA audit results as approved by the New Mexico Office of the State Auditor. Mr. Hamilton reported the audit received an unmodified opinion with zero findings. Prior year findings were resolved.

21. Compliance Exceptions Report. Ms. Heather Boone reviewed the Compliance Exceptions Report.

Ms. Heather Boone briefly explained the Exception Report format and explained the purpose for each section. Ms. Boone reviewed the Update Summary and Corrective Action Plan with completion dates.

22. 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).

Chair Ulibarri 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 Torres 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 7 – 0.

RETURN TO OPEN MEETING

Member Kopelman moved, seconded by Member Torres, to reconvene in open session. The motion passed 7 – 0.

Chair Ulibarri 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.”


23. Next Board Meeting

Thursday, March 28, 2019 – 9:00 a.m.
Santa Fe County Commission Chambers
102 Grant Avenue
Santa Fe New Mexico

24. Adjournment

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

The meeting adjourned at 11:30 a.m.



Secretary

3/28/19

Date