

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

**Minutes of Board Meeting**  
**April 25, 2019**  
**State Capitol - Room 322**  
**Santa Fe, New Mexico**

**Present:**

Katherine Ulibarri, Chair	K. Ulibarri Consulting, LLC
William Fulginiti, Vice-Chair	Executive Director, NMML
Leandro Cordova	Designee, Executive Director, NMAC
James Kenney	Secretary, NM Environment Dept.
Olivia Padilla-Jackson	Secretary, Dept. of Finance & Administration
Sarah Cottrell Propst	Secretary, NMENRD
Jon Clark	Designee, Secretary, Economic Development

**Absent:**

Blake Curtis	CEO, Curtis & Curtis
--------------	----------------------

**Finance Authority Staff:**

Carmela Manzari	Connie Marquez
Dan Opperman	Frank Ibarra
Floyd Trujillo	Joe Durr
John Gasparich	Heather Boone
Leslie Medina	Mark Lovato
Marquita Russel	Michael McDougall
Michael Vonderheide	Oscar Rodriguez
Ron Cruz	Susan Rodriguez
Todd Johansen	Zach Dillenback

**Guests:**

Anne Browne	Sutin Thayer & Browne
Angie Gonzales	Union County
Ann M. Gallegos	City of Las Vegas
Anna Silva	GAS/FMD
Bonnie Hoke	Socorro Consolidated Schools
Chip Pierce	PFM
Danielle Shuryn	NMED DWB
Deanne Woodring	GPM
Erica Velarde	GSD/FMD
Evan Kist	RBC Capital Markets
Georgianna Rael	Town of Red River

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

5. **Update on Activities.** Chair Ulibarri reported the Finance & Disclosure Committee met on April 15, 2019, and reviewed items 6 - 9 that follow.
6. **Introduction of the New Outside Financial Advisor.** Mr. Michael Zavelle introduced Ms. Christine Choi who is replacing Mr. Chip Pierce as Western Financial Groups' financial advisor to the NMFA. Ms. Choi said she has been with Western Financial Group for 12 years working with various states as well as with several large issuers, and looks forward to supporting NMFA in its goals and contributions.
7. **Presentation of Investment Report.** Mr. Mark Lovato presented the Investment Report highlighting the total invested funds and NMFA portfolio performance of the four groups of funds invested at different durations. The NMFA Portfolio book yield was 2.210%, the current market yield was 2.285% compared to weighted average of the benchmarks at 2.401%, the duration .596 compared to benchmarks at .799, the weighted average 12-month Total Return was at 2.279% compared to benchmarks at 2.367%. Total net income on NMFA invested Funds for the month of March was \$1,412,989 compared to \$731,095 in March last year. Total net income on all NMFA invested funds for FY 2019 was \$9,946,596 compared to \$5,167,443 this time last year.

Ms. Deanne Woodring, GPA Advisors, discussed the market and economy and its impact on the NMFA portfolios. She mentioned the NMFA portfolio maturity structure being short versus the benchmarks in a rising rate environment. Ms. Woodring briefly reviewed market updates and their relevance to the NMFA portfolio strategy which for the remainder of the fiscal year will focus on managing liquidity needs and cash match maturities to disbursement dates when possible, continue to roll investments into higher yielding securities, and focus over the next quarter on expanding capabilities to trade additional assets, and diversify the portfolio when spreads widen. Investment Policy updates will be forthcoming in the next few months. Regarding transparency of fund characteristics, Ms. Woodring suggested considering posting monthly yield information for participants.

Member Padilla-Jackson asked if anything prohibits carving out a core portfolio to invest longer than .6 duration which is low for a \$700 million portfolio. Member Padilla-Jackson said she would like to learn more about the liquidity component and understand what the discussion has been in the past and roadblocks encountered as the durations are low on a portfolio of this size. Ms. Woodring felt as part of the policy discussion the Committee can address and determine what the indentures would allow.

8. **Consideration for Approval of a Third Amendment of MOA with the New Mexico Environment Department Construction Programs Bureau for Comprehensive Engineering Review and Construction Oversight Services.** Recommendation to approve the Third Amendment to the Memorandum of Agreement ("MOA") with the New Mexico Environment Department's construction Programs Bureau ("CPB") for comprehensive engineering review and construction oversight services for projects funded by the Finance Authority.

Since 2000, NMFA has engaged NMED's CPB to provide engineering and construction oversight



The 2005 Legislature authorized the Energy Efficiency and Renewable Energy ("EERE") Bonding Act as a tool for public schools and state agencies to implement energy conservation measures to existing facilities. The Act requires a Comprehensive Investment Grade Energy Audit ("IGA"), reviewed, accepted, and certified by New Mexico Energy Minerals and Natural Resources Department ("EMNRD"). Pursuant to the Act, the bonds are secured by the State's Gross Receipts Tax, wherein the State will then reduce the benefiting entity's budget 90% of the amount certified until the bonds are repaid in full. The Act allows for no more than \$20 million of bonds to be outstanding at any time.

The Department will be combining Energy Efficiency Bond proceeds in conjunction with \$20 million in capital outlay appropriated through Senate Bill 280 for this project.

The 2018 audit received a Multiple Opinion (Qualified opinion on incomplete records of land owned by GSD with 2 findings).

Mr. Ken Ortiz introduced his staff who spearheaded the efforts in moving the project forward. Mr. Ortiz said the project impacts 24 agencies over 36 buildings minus the Governor's mansion thereby reducing utility costs by 30%.

Member Cordova asked if the audits take into consideration the agreements with the power/providers to prevent discrepancies between savings and actual results. Ms. Erica Velarde, project engineer, noted the negotiations directly involved the utility providers. In response to a question from Member Clark, Mr. Ortiz said if GSD does not receive the \$12 million in bonding, changes would include modifying the project by dropping some buildings and focusing on the priority list. Mr. Ortiz also noted that GSD has a complete database of all facilities and land ownership in response to a comment from Member Fulginiti regarding the 2018 audit.

**Member Fulginiti moved, seconded by Member Padilla-Jackson, for approval of General Services Department Project PPRF-4955. The motion passed 6 - 0 with Member Padilla-Jackson out for the vote.**

Mr. Dillenback said Ms. Suzanne Bruckner will review the authorizing and delegating resolution required by the mechanics of the bonding program and NMFA issuing on GSD's behalf. Mr. Dillenback mentioned that with the support of this project and because of its size, NMFA will price and market simultaneously with the preliminary official statement reflecting a portion 2019B bonds as green bonds which opens the doors to different investors who specifically look for green bond credits.

Ms. Bruckner, Sutin, Thayer, & Browne, reviewed the authorizing and delegating resolution.

**Member Fulginiti moved, seconded by Member Cordova, to amend the approval of General Services Department Project PPRF-4955 to include the authorizing and delegating resolution. The motion passed 7 - 0.**

In order to meet the State Engineers requirements associated with water permits issued to the City, it must acquire sufficient water rights to offset depletions caused by pumping. Under current requirements, the City is required to purchase 728 acre-feet of water rights every five (5) years for a 55-year period. In order to assist with the cost of the water rights acquisition, the City approved and implemented a water rights acquisition fee beginning in 2010, which collects a minimum of \$6 per month on all water utility accounts. The Council approved the most recent increase in 2012 and implemented the increase on July 1, 2013.

The City will pledge the Water Rights Acquisition Fee as the revenue source for this loan. Staff utilized a three-year average of those collected fees.

The 2018 audit received an unmodified opinion with 2 findings, a material weakness and a significant deficiency. The City provided a corrective action plan.

**Member Fulginiti moved, seconded by Member Padilla-Jackson, for approval of City of Rio Rancho Project PPRF-3666. The motion passed 7 - 0.**

- 15. Consideration and Recommendation for Approval of City of Rio Rancho (Sandoval County) 2019 Water & Sewer Projects Loan - PPRF-4944.** The City of Rio Rancho ("City") applied to the Public Project Revolving Fund ("PPRF") for \$3,439,776 for water and sewer projects for the Los Diamantes and Joe Harris Elementary Schools.

The City will pledge the Environmental GRT as pledged revenue towards the loan.

**Member Fulginiti moved, seconded by Member Propst, for approval of City of Rio Rancho Project PPRF-4944. The motion passed 7 - 0.**

- 16. Consideration and Recommendation for Approval of City of Farmington (San Juan County) - 2019 Road Projects Loan - PPRF-4946.** The City of Farmington ("City") applied to the Public Project Revolving Fund ("PPRF") for \$13,115,906 to finance road improvements including several road-resurfacing projects.

The City will pledge the third increment of the Municipal Local Option GRT as the revenue source for the loan.

The 2018 audit received an unmodified opinion with 2 findings neither a material weakness nor a significant deficiency.

**Member Fulginiti moved, seconded by Member Propst, for approval of City of Farmington Project PPRF-4946. The motion passed 7 - 0.**

- 17. Consideration and Recommendation for Approval of Moriarty Edgewood School District (Torrance County) - Series 2019 GO Bonds - PPRF-4953.** The Moriarty Edgewood School District



**Member Fulginiti moved, seconded by Member Clark, for approval of Town of Dexter Project PPRF-4948. The motion passed 7 - 0.**

- 20. Consideration and Recommendation for Approval of Union County - 2019 Union County Hospital Refunding Loan - PPRF-4931.** Union County ("County") applied to the Public Project Revolving Fund ("PPRF") on behalf of the Union County Hospital ("Hospital"), a component unit of the County, for \$1,353,328 to refund Series 2009 PPRF-2334 loan for economic savings.

The Series 2009 PPRF-2334 loan originated in 2009 for \$2,260,338 for the construction and renovations of the administrative offices, other general renovations to the Hospital, and equipment acquisition. Based on the current market conditions, refunding of the PPRF-2334 loan would likely achieve a net present value savings of approximately 10% equating to \$145,000 over the life of the refunding loan. The maturity of the refunding bonds matches the term of the refunded bonds.

The County pledged the Hospital's net system revenues and the third increment (0.125% increment) of the County's Local Option GRT as security and repayment. Staff used a five-year average of the net hospital revenues and the third increment of the County's Local Option GRT resulting in \$833,511 to determine debt service coverage of 1.30xs.

The 2018 audit received an unmodified opinion with 2 findings including 1 material weakness. The County submitted a corrective action plan.

**Member Fulginiti moved, seconded by Member Cordova, for approval of Union County Project PPRF-4931. The motion passed 7 - 0.**

- 21. Consideration and Recommendation for Approval of Taos Municipal School District (Taos County) - 2019 Ed Tech Note - PPRF-4951.** The Taos Municipal School District ("District") applied to the Public Project Revolving Fund ("PPRF") for \$1,254,409 to finance the purchase of Education Technology Equipment for District-wide projects.

The New Mexico State Constitution does not require voter approval for education technology equipment and related projects when purchasing equipment through a lease-purchase agreement. The District will enter into a lease-purchase agreement with the NMFA secured by ad valorem property taxes. Under the terms of the lease-purchase agreement, the NMFA takes title to the equipment for the length of the agreement as a security interest with the District retaining ownership responsibilities.

The 2018 audit received an unmodified opinion with 5 findings, none a material weakness or significant deficiency.

**Member Fulginiti moved, seconded by Member Propst, for approval of Taos Municipal School District Project PPRF-4951. The motion passed 7 - 0.**

- 22. Consideration and Recommendation for Approval of City of Raton (Colfax County) - 2019 Refunding Loan - PPRF-4950.** The City of Raton ("City") applied to the Public Project Revolving Fund

**Member Fulginiti moved, seconded by Member Clark, for approval of City of Las Vegas Project PPRF-4952. The motion passed 6 - 0 with Member Kenney out for the vote.**

- 25. Consideration and Recommendation for Approval of Town of Red River (Taos County - 2019 Buildings Acquisition - PPRF-4888.** The Town of Red River ("Town") applied to the Public Project Revolving Fund ("PPRF") for \$1,090,166 to purchase the Golden Eagle Lodge and the Elk Ridge Lodge ("Lodges").

The Town completed an appraisal of the building confirming the agreed upon amount in the purchase agreement. The appraised value of the property is \$1,339,000, with the appraisal submitted to the Property Tax Division of the Taxation and Revenue Department for approval.

The pledge revenue will consist of the State Shared Gross Receipts Tax ("SSGRT"). Using a three-year average of revenues consisting of \$650,002, staff determined a minimum debt service coverage of 7.84xs. The SSGRT will be a contingent intercept since the Town will repay the loan with lease revenues, which will also serve as pledged revenue for this loan. Staff did not analyze future lease revenues and has not given future lease revenues any value. The Town will apply two money market funds totaling \$300,000 to the purchase price. At the Town's request, there will be an anytime call on this taxable loan. Staff priced a .50bp premium into the taxable portion of the loan term.

The 2018 audit received an unmodified opinion with 1 finding. The Town submitted a corrective action plan.

**Member Fulginiti moved, seconded by Member Clark, for amended approval of Town of Red River Project PPRF-4799. The motion passed 7 - 0.**

- 26. Consideration and Recommendation for Approval of City of Las Vegas (San Miguel County) - Comprehensive Plan with LEDA - PG-4947.** The City of Las Vegas ("City") applied to the Local Government Planning Fund ("LGPF") for \$50,000 for a Comprehensive Plan with Local Economic Development Act Plan ("LEDA").

The plan will incorporate planning elements addressing community development, land use, zoning, infrastructure including water and wastewater, transportation, housing, public health and safety and will create an Economic Development Plan that updates the City's LEDA ordinance.

**Member Fulginiti moved, seconded by Member Clark, for approval of City of Las Vegas Project PG-4947. The motion passed 7 - 0.**

- 27. Consideration and Recommendation for Approval of Torrance County - Comprehensive Plan with Local Economic Development Act Plan ("LEDA") - PG-4958.** Torrance County ("County") applied to the Local Government Planning Fund ("LGPF") for \$50,000 for a Comprehensive Plan with LEDA.



Member Padilla-Jackson noted that Chief of State John Bingaman had asked if she could develop a report on drinking water systems throughout New Mexico for the State Board of Finance. Member Padilla-Jackson felt that would also be beneficial to the NMFA Board in knowing the status especially with disadvantaged communities, and suggested a joint effort would be helpful. Chair Ulibarri agreed saying it would be incredibly helpful with strategic planning as the Board reorganizes with new members. Member Kenney asked if there a method utilized in talking to disadvantaged communities from NMFA not necessarily from the Environment Department to educate them on the access to these funds. Ms. Marquita Russel noted that the Public Lending staff does visit with these communities and participates at the Infrastructure Conference and Rural Water Conference, which allows staff to visit with entities and various engineers.


**Member Fulginiti moved, seconded by Member Padilla-Jackson, for approval of amendments to Drinking Water State Revolving Loan Fund Policies and request to include amended policies in the FY2020 Intended Use Plan for public review and comment. 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)*

- 29. Update on Activities.** Member Padilla-Jackson reported the Committee met on April 17, 2019 and covered 9 items, two which follow as items 30 and 31. The Committee continues to make progress on financial performance matrix for presentation to the full Board. Member Padilla-Jackson recommended the full Board receive a copy of the Internal Risk Assessment and Planning reported prepared by Deloitte.
- 30. Compliance Exceptions Report.** Ms. Heather Boone reviewed the Compliance Exceptions Report. She reported there have been no corrective actions completed since last month including 2 which had delays dealing with policies and procedures in the Water programs and Private Lending.
- 31. Internal Audit Plan.** Ms. Boone reviewed the proposed Internal Audit Risk Assessment and Planning prepared by Deloitte for the Audit Committee.

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

- 32. Update on Activities.** Member Clark reported the Economic Development Committee met on April 16, 2019. Staff provided a brief overview of the programs and reviewed the activity in the portfolio. Staff did not present any action items for consideration by the Committee or the Board.
- 33. Consideration and Recommendation for Approval of the Executive Committee Charter.** Ms. Heather Boone presented the propose charter for the Executive Committee, a standing committee of the NMFA Board of Directors. The Executive Committee assists the NMFA Board in overseeing governance policies, compensation policies, and general management of the Board.

for SK

Secretary

5-23-19

Date