

New Mexico Finance Authority

207 Shelby St.

Santa Fe, NM 87501

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Minutes of Board Meeting

July 25, 2019

State Capitol - Room 309

Santa Fe, New Mexico

Present:

Katherine Ulibarri, Chair
William Fulginiti, Vice Chair
Steve Kopelman, Secretary
Judi Kahl
Donnie Quintana
Matthew Lovato
Blake Curtis (*via conference*)
Jon Clark

K. Ulibarri Consulting, LLC
Executive Director, NMML
Executive Director, NMAC
Designee for Secretary, NM Environment Dept.
Designee for Secretary, Dept. of Finance & Admin.
Designee for Secretary, NMENRD
CEO, Curtis & Curtis
Designee for Secretary, NM Economic Development

Finance Authority Staff:

Bryan Otero
Connie Marquez
Frank Ibarra
John Brooks
Leslie Medina
Marquita Russel
Michael Zavelle
Oscar Rodriguez
Shawna Johnson

Carmela Manzari
Floyd Trujillo
Joe Durr
John Gasparich
Mark Lovato
Michael Vonderheide
Mona Killian
Ron Cruz
Zack Dillenback

Guests:

Anne Browne
Michael Chavez
Shelly Ortega
Evan Kist
Scott Stevens
Bruce Swingle
Susen Ellis
Suzanne Bruckner

Sutin Thayer & Browne
Hatch Valley Public Schools
Hatch Valley Public Schools
RBC Capital Markets
Engie
Sierra County
BOKF
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 Quintana moved, seconded by Member Clark, to approve the agenda. The motion passed 8 - 0.

3. Approval of the June 27, 2019 Board Minutes.

Member Quintana moved, seconded by Member Kopelman, for approval of the June 27, 2019 Board Minutes. The motion passed 8 – 0.

4. Report from Chief Executive Officer. Mr. John Gasparich reported on the following:

- Introduced Ms. Shawna Johnson, newly hired staff member in the Public Lending department.
- Reported on another phishing attack on the NMFA's system; The IT staff foiled the attack led by NMFA's security analyst, Ms. Mona Killian. Ms. Killian also serves in the Air National Guard having received deployment orders beginning in July returning to the NMFA in mid-January.
- EnAble Update: Mr. Floyd Trujillo reviewed the newly implemented EnAble project schedule. Member Ulibarri commented she appreciates the new format which provides a better picture.

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

5. Update on Activities. Member Kopelman presented the Public Lending Committee report on items discussed at the meeting on July 17, 2019.

6. Consideration and Recommendation for Approval of City of Gallup (McKinley County) – Economic Development Feasibility Study – PG-5010. The City of Gallup (“City”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 for an Economic Development Feasibility Study.

Economic Market Analysis, providing strategies to improve competitiveness of the commercial sector by identifying specific business targets for recruitment while recommending the most effective strategies to market the community to prospective commercial businesses.

7. Consideration and Recommendation for Approval of Hagerman Municipal Schools (Chaves County) – 2019 General Obligation Bonds - PPRF-5001. Hagerman Municipal Schools (“Schools”) applied to the Public Project Revolving Fund (“PPRF”) for \$400,000 for school infrastructure projects identified in the 2015-2020 Facility Master Plan.

Voters, in February 2016, approved \$800,000 to the District for school improvements valid for 4 years. The District will issue General Obligation Bonds for \$400,000 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 2018 audit received an unmodified opinion with 5 findings including 1 significant deficiency.

- 8. Consideration and Recommendation for Approval of Carrizozo MSD (Chaves County) – 2019 General Obligation Bonds – PPRF-5002.** The Carrizozo MSD No. 7 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$500,000 for school infrastructure projects identified in the 2015 - 2020 Facility Master Plan.

The District received voter approval in February 2017 for \$800,000 for school improvements valid for four years. The District will issue General Obligation Bonds for \$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 2018 audit received an unmodified opinion with 1 finding, a significant deficiency. The District provided a corrective action plan.

- 9. Consideration and Recommendation for Approval of Otero County, Burro Flats VFD –2019 Fire Equipment Loan – PPRF-5000.** Otero County, Burro Flats VFD (“County”), applied to the Public Project Revolving Fund (“PPRF”) for \$176,323 to purchase a new Pumper/Tanker apparatus to support fire suppression efforts.

The Department has an ISO rating of 5 with one main station receiving an annual base distribution of \$61,667 from State Fire Protection Funds. The Department will contribute \$100,000 in State Fire Protection carryforward funds.

The 2018 audit received an unmodified opinion with 1 finding, a material weakness. The County provided a corrective action plan.

- 10. Consideration and Recommendation for Approval of Otero County, Farsouth VFD – 2019 Fire Equipment Loan – PPRF-5004.** Otero County, Farsouth VFD (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for \$125,945 to purchase a Pumper/Tanker apparatus.

The Department currently has an ISO rating of 5 with one main station and receives an annual base distribution of \$61,667 from State Fire Protection Funds. The Department will contribute \$150,000 in Capital Outlay Funds.

The 2018 audit received an unmodified opinion with 1 finding, a material weakness. The County submitted a corrective action plan.

- 11. Consideration and Recommendation for Approval of Village of Milan (Cibola County) - 2019 Fire Equipment Loan – PPRF-5007.** The Village of Milan (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$60,454 to purchase new fire equipment.

The Village Fire Department (“Department”) has an ISO rating of 4 with one main station receiving an annual base distribution of \$129,502 from the State Fire Protection Funds. The Department will contribute \$39,110 towards the purchase.

The 2018 audit received an unmodified opinion with 4 findings including 1 repeat material weakness.

The Village submitted a corrective action plan.

- 12. Consideration and Recommendation for Amended Approval of Guadalupe County – 2019 Refunding and New Money Loan – PPRF-4730.** Guadalupe County (“County”) requests an amendment to Series 2018 Refunding and New Money loan agreement PPRF-4730 changing the County’s intercept status from active to contingent.

The NMFA Board approved the County’s Series 2018 Refunding and New Money loan on April 26, 2018 to purchase new equipment and refund two PPRF loans with the loan closing on August 3 for \$1,075,495.

The County’s third increment (0.125%) of the County Local GRT and all four increments (0.25%) of the County Capital Outlay GRT secure the loan originally approved with an active intercept status for the GRTs. Currently, the County has two PPRF loans secured by GRT with contingent intercepts for which the County makes monthly debt service payments. The County wishes to amend the loan agreement to a contingent intercept status similar to their current PPRF loans allowing the County to manage their funds more efficiently.

Member Kopelman moved, seconded by Member Kahl, for approval of agenda items 6 - 12. The motion passed 8 - 0.

- 13. Consideration and Recommendation for Approval of New Mexico Military Institute (Chaves County) - 2019 Infrastructure Improvements - PPRF-5008.** The Board of Regents of the New Mexico Military Institute (“NMMI”) applied to the Public Project Revolving Fund (“PPRF”) for \$5,202,754 to upgrade and renovate Cahoon Hall, NMMI's main high school, college indoor gymnasium, and offices used by all NMMI coaches, team locker rooms, and weight lifting/training areas.

NMMI will pledge the Gross System Revenue available for Debt Service towards the repayment of this loan. Moody’s rated NMMI’s pledged revenue as Aa3 in April 2019 requiring no Debt Service Reserve Fund.

Mr. Ron Cruz highlighted NMMI's rating, New Mexico higher education support, and demonstration of good governance as strengths for this project.

The 2018 audit received an unmodified opinion with zero findings.

Member Kopelman moved, seconded by Member Clark, for approval of New Mexico Military Institute Project PPRF-5008. The motion passed 8 - 0.

- 14. Consideration and Recommendation for Approval of New Mexico Military Institute (Chaves County) - 2019 Energy Improvements - PPRF-5009.** The Board of Regents of the New Mexico Military Institute (“NMMI”) applied to the Public Project Revolving Fund (“PPRF”) for \$6,716,075 for various energy upgrades including replacement of the HVAC systems and upgrading lighting fixtures throughout the NMMI campus.

Generally, the NMFA will require that its loans be on no less than a parity lien with all other lenders. Under certain circumstances, the NMFA may agree to accept a security pledge that is

subordinate to the payment of another debt if: The identified revenue pledge has a positive historical performance with overall loan coverage adhering to the debt service coverage and additional bonds test requirements; and if the identified subordinate revenue pledge is an additional revenue pledge required solely to achieve minimum debt service coverage and is not projected to be needed to make debt service payments; or the senior lien debt is held by NMFA or the U.S. Government.

This loan request does not meet the criteria outlined in the policy as a first time borrower to the NMFA requiring a waiver.

NMMI will pledge the Gross University System Revenue available for Debt Service towards the repayment of this loan. Moody's rated NMMI's pledged revenue as Aa3 in April 2019 requiring no Debt Service Reserve Fund. The loan is in the subordinate position.

In response to a request from Member Kopelman regarding the senior lien, Mr. Ron Cruz said staff structured the loan to live within the savings of the energy audit thereby limiting the risk. Additionally to maintain the high rating on the senior lien, NMMI proposes to spread the loan out between the senior and subordinate liens. Member Clark expressed concern about spreading the loan out over a 26 year term when useful life of HVAC and lighting equipment would probably not be that long. NMMI staff noted the report from NM Energy & Minerals addresses the life of the equipment which exceeds the 26 years.

Member Kopelman moved, seconded by Member Kahl, for approval of New Mexico Military Institute 2019 Energy Improvements Project PPRF-5009 with waiver as requested. The motion passed 8 - 0.

- 15. Consideration and Recommendation for Amended Approval of City of Las Cruces (Doña Ana County) - 2019 Infrastructure Loan - PPRF-4976.** The City of Las Cruces requests amended approval of project PPRF-4976 for \$8,976,570 to finance public infrastructure for the Metro Verde master planned community in Las Cruces.

At the City's request, a .50% bump has been added for an anytime call allowing for flexibility in the loan term.

The City will pledge its distribution of the State Shared GRT towards the repayment of this loan. Moody's rated the City's State Shared GRT Aa3 in 2017, therefore no Debt Service Reserve Fund is required.

The 2018 audit received an unmodified opinion with 12 findings including 3 material weaknesses and 2 significant deficiencies. The City submitted a corrective action plan.

Member Kopelman moved, seconded by Member Quintana, for amended approval of City of Las Cruces PPRF-4976. The motion passed 8 - 0.

- 16. Consideration and Recommendation for Approval of Sierra County - 2019 Building Acquisition - PPRF-5006.** Sierra County ("County") applied to the Public Project Revolving Fund ("PPRF") for \$2,170,505 to purchase an adjacent building to house the Administrative Offices.

The building's purchase price is \$970,000 with the County using the remaining funds to construct, design, and equip the building. The County will pledge its 3/8ths distribution of the Hold Harmless GRT (0.375%) towards the loan.

The 2018 Audit received an unmodified opinion with 8 findings including 1 material weakness and 3 relevant significant deficiencies. The County provided a corrective action plan. Responding to a question regarding the audit findings, Mr. Bruce Sweeney noted problems with finding qualified personnel having been through 5 financial directors over the last years.

Member Kopelman moved, seconded by Member Clark, for approval of Sierra County Project PPRF-5006. The motion passed 8 – 0.

- 17. Consideration and Recommendation for Approval of Hatch Valley Public Schools (Doña Ana County) - 2019 General Obligation Bonds – PPRF-5003.** The Hatch Valley Public Schools (“Schools”) applied to the Public Project Revolving Loan Fund (“PPRF”) for \$625,000 for school infrastructure projects identified in the Facility Master Plan.

The District received voter approval in February 2017 for \$2,500,000 for school improvements valid for four years. The District will issue General Obligation Bonds for \$625,000 which the 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 2018 audit received an unmodified opinion with 9 findings including 1 repeat material weakness and 4 significant deficiencies, 1 a repeat finding. Ms. Shelly Ortega responded to questions regarding the situation with the audit noting that the Schools' did not have a person dedicated to dealing with fixed assets. She indicated a new hire to work with fixed assets which should alleviate the situation with their goal being a clean audit this coming year.

Member Quintana suggested the Public Schools Authority as the first contact in soliciting assistance, along with an offer to provide guidance through the Department of Finance & Administration.

Member Quintana moved, seconded by Member Lovato, for approval of Hatch Valley Public Schools Project PPRF-5003. The motion passed 8 - 0.

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

- 18. Update on Activities.** Member Clark reported on the Economic Development Committee meeting of July 16. The Committee met on Tuesday, July 16 with a quorum present. In addition to reviewing the Private Lending Portfolio Report, the Committee reviewed a proposal for a Smart Money Loan Participation with Century Bank for a project located in Las Cruces. The Committee requested additional information on the economic impact of the project to ensure the incentives offered by Smart

Money create an economic impact in the community. The Committee will review the project once NMEDD completes an economic impact analysis.

Report from the Finance & Disclosure Committee. (*Committee members are Ms. Kathy Ulibarri, Chair, Mr. William Fulginiti, Secretary Alicia Keyes (Mr. Jon Clark, Designee), and Mr. Blake Curtis.*)

19. Update on Activities. Member Ulibarri reported the Finance & Disclosure Committee did not meet for lack of a quorum thus the two items are without Committee review.

20. Consideration and Recommendation for Approval of Amended FY2020 Budget. Mr. Oscar Rodriguez presented the revised FY2020 budget reflecting lower revenue estimates and an increase in non-operating expenses. The operating budget remains unchanged from the June Board approval.

With the benefit of the experience through June 28, we are able to be more precise in our revenue projections for next year. We can now see that the market conditions that allowed for \$5.1 million *Interest Income from Investments* will not likely continue. The revised estimate of \$2.8 million reflects our view that, while the market appears greatly improved from how we saw it at this time last year, we do not expect to repeat the experience of FY2019. We are also lowering our projection for *Administrative Fees* from \$5.3 million to \$3.5 million in recognition of the stream (\$1.3 million) that came in that we now see as one-time revenue.

The combined downward revision of the estimates totals less than \$3.1 million bringing total revenue down from \$144.5 million to \$141.5 million. However, this change will not have an impact on operations because neither the operating budget nor any part of the non-operating budget will draw from either of these two revenue streams next year.

The second amendment is the addition of \$80,000 to *Other Expenses* in the non-operating budget to cover anticipated expenses for re-roofing the Tri-County Building in Taos. This expense was not included in the June budget presentation because information at the time was insufficient to render an informed estimate.

Member Kopelman moved, seconded by Member Quintana, for approval of the amended FY2020 Budget. The motion passed 8 - 0.

21. Presentation of the Investment Report for Period Ending June 30, 2019. Mr. Mark Lovato reviewed the Investment Report for period ending June 30, 2019.

- Total Invested Funds Report:
 - Total invested funds at June 30, 2019 were \$690.6 million, \$683.3 million in NMFA funds and \$7 million in NMDOT funds, compared to total fund invested this time last year of \$629.9 million. Weighted Average Book yield in all funds invested at the Authority at month end was 2.34% and the Total Weighted Current Market Yield is 2.07%.
- NMFA Portfolio Performance:
 - The NMFA Portfolio book yield was 2.338%, the current market yield was 2.069% compared to weighted average of the benchmarks at 2.008%, the duration .706 compared to benchmarks at .932, the weighted average 12-month Total Return was at 2.783% compared to benchmarks at 2.900%.

- Total net income on NMFA invested Funds for the month of July was \$1,278,756 compared to \$7909,940 in July last year
- Total net income on all NMFA invested funds for FY 2019 (twelve months in) was \$14,119,871 compared to \$7,578,024 this time last year.

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

22. Update on Activities. Member Quintana reported the Audit Committee met on July 17. Items discussed included agenda item 23 which follows.

23. Compliance Exceptions Report. Mr. John Gasparich reported that staff anticipates completing the General Ledger and procedures by year end. Although extended, the Vendor Management procedures and Significant Financial policies and procedures, in process at this point, should be complete by December. Member Kopelman requested that in the future, staff inform the Board about problems that might arise affecting completion dates.

24. Next Board Meeting

Thursday, August 22, 2019 – 9:00 a.m.
State Capitol, Room 322
Santa Fe New Mexico

25. Adjournment

Member moved, seconded by Member, to adjourn the meeting. The motion passed 8 - 0.

The meeting adjourned at 10:05 a.m.



Secretary

8/22/19

Date