

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

Minutes of Board Meeting
September 26, 2019
State Capitol - Room 309
Santa Fe, New Mexico

Present:

Katherine Miller, Chair
William Fulginiti, Vice Chair
Steve Kopelman, Secretary
Judi Kahl
Olivia Padilla-Jackson
Matthew Lovato
Andrew J. Burke
Leslie Nathanson Juris
David A. Martinez
Martin Abran Suazo

Santa Fe County Manager
Executive Director, NMML
Executive Director, NMAC
Designee for Secretary, NM Environment Dept.
Secretary, Dept. of Finance & Admin.
Designee for Secretary, NMENRD
Chief Financial Officer, NMSU
Santa Fe, NM
Laguna, NM
Las Vegas, NM

Absent:

Alicia Keyes

Secretary, NM Economic Development

Finance Authority Staff:

Bryan Otero
Floyd Trujillo
Joe Durr
John Gasparich
Mark Dalton
Marquita Russel
Michael Zavelle
Ron Cruz
Theresa Garcia
Zach Dillenback

Carmela Manzari
Frank Ibarra
John Brooks
Leslie Medina
Mark Lovato
Michael Vonderheide
Oscar Rodriguez
Shawna Johnson
Todd Johansen

Guests:

Anne Browne
Becky Rowley
Bill Kipnis
Elizabeth Anderson
Evan Kist
Henry Mignardot

Sutin Thayer & Browne
SFCC
Siemens
ABCWUA
RBC Capital Markets
SFCC

Richard Aspenwind
Mark Chaiken Susen
Ellis Suzanne
Bruckner

Taos Pueblo
Virtue & Najjar
BOKF
Sutin Thayer & Browne

1. **Call to Order and Roll Call.** Chair Katherine Miller called the meeting to order at 9:00 a.m. A roll call established a quorum.

2. **Approval of Agenda.**

Member Fulginiti moved, seconded by Member Kahl, to approve the agenda. The motion passed 10 - 0.

3. **Approval of the August 21 and August 22, 2019 Board Minutes.**

Member Fulginiti moved, seconded by Member Suazo, for approval of the August 21 and August 22, 2019 Board minutes. The motion passed 10 – 0.

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

- The NMFA Oversight Committee will meet on October 3 -4 in Truth or Consequence with presentations on Green Bonds, Water Trust Board, Colonias Infrastructure Board, and Spaceport activities, and a panel discussion on water and waste water funding.
- Beginning in October the Board Book materials will be delivered on Monday rather than Tuesday to give members ample time to review the materials.
- Mr. Floyd Trujillo reported on the progress of the EnABLE Project. The team is working diligently to reach the Phase I goal of retiring the MIDAS system. EnABLE is fully servicing Local Government, Colonias, and Water Trust Board. Staff anticipates completion on the Drinking Water Program next week. PPRF will be the next phase of the project which should be 95% complete at that point.

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

5. **Update on Activities.** Member Fulginiti presented the Public Lending Committee report on items discussed at the meeting on September 18, 2019.

6. **Consideration and Recommendation for Approval of San Miguel County, Cabo Lucero Fire Department –2019 Fire Equipment Loan – PPRF-5038.** San Miguel County (“County”), Cabo Lucero Fire Department (“Department”), applied to the Public Project Revolving Fund (“PPRF”) for \$302,267 to purchase a new fire apparatus and relevant equipment.

The Department will pledge State Fire Protection Funds as the revenue source for the loan. The Department has an ISO class rating of 8 with 2 main stations receiving an annual base distribution of \$104,836. The County qualifies for \$150,000 in disadvantaged funding.

The 2018 audit received an unmodified opinion with 6 findings including 2 significant deficiencies, one a prior year finding. The County submitted a corrective action plan.

- 7. Consideration and Recommendation for Approval of Union County, Rabbit Ear Fire Department - 2019 Police Equipment Loan – PPRF-5031.** The Union County ("County"), Rabbit Ear Fire Department ("Department") applied to the Public Project Revolving Fund ("PPRF") for \$110,832 to purchase a new fire apparatus and corresponding equipment.

The Department will pledge State Fire Protection Funds as the revenue source. The Department has an ISO class rating of 6 with 1 main station and 3 substations receiving an annual base distribution of \$120,249. The County is contributing \$127,561 toward the purchase and qualifies for disadvantaged funding totaling \$35,726.

The 2018 audit received an unmodified opinion with 3 findings including 2 material weaknesses. The County provided a corrective action plan.

- 8. Consideration and Recommendation for Approval of Guadalupe County – 2019 Police Equipment Loan - PPRF-5039.** Guadalupe County ("County") applied to the Public Project Revolving Fund ("PPRF") for \$64,290 to finance the costs associated with the purchase of two new police vehicles and respective equipment.

The County will pledge State Law Enforcement Protection Funds as the revenue source for this loan. The County receives an annual distribution of \$23,000.

The 2018 audit received an unmodified opinion with zero findings.

- 9. Consideration and Recommendation for Approval of Town of Mesilla (Doña Ana County) - 2019 Law Enforcement Equipment Loan - PPRF-5037.** The Town of Mesilla ("Town") applied to the Public Project Revolving Fund ("PPRF") for \$95,718 to finance 2 police interceptor utility vehicles with police package to support law enforcement efforts.

The Town will pledge Law Enforcement Protection funds as repayment of the loan.

The 2018 audit received an unmodified opinion with no findings.

- 10. Consideration and Recommendation for Approval of City of Sunland Park (Doña Ana County) - 2019 Fire Equipment Loan - PPRF-5036.** The City of Sunland Park ("City") applied to the Public Project Revolving Fund ("PPRF") for \$259,135 to purchase a Pumper/Tanker to support fire suppression efforts.

The Sunland Park Fire Department currently has an ISO rating of 5 with 2 main stations and 1 administration office and receives an annual base distribution of \$185,001 from State Fire Protection Funds. The City qualifies for \$150,000 in disadvantaged funding.

The 2018 audit received an unmodified opinion with zero findings.

- 11. Consideration and Recommendation for Approval of City of Moriarty (Torrance/Santa Fe Counties) – 2019 Fire Equipment Loan – PPRF-5048.** The City of Moriarty (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$299,385 to purchase one new ambulance and two new command units to support medical transport and fire suppression efforts.

The City has an ISO rating of 4 with 2 main stations receiving an annual distribution of \$194,253 from State Fire Protection Funds. The City qualifies for \$150,00 disadvantaged funding.

The 2018 audit received an unmodified opinion with 3 findings, 2 material weaknesses and 1 significant deficiency. The City submitted a corrective action plan.

- 12. Consideration and Recommendation for Approval of Abiquiu MDWCA & MSWA (Rio Arriba County) – Water Asset Management Plan – PG-5035.** The Abiquiu MDWCA & MSWA (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 for a Water Asset Management Plan (“AMP”)

The AMP will assist in the ongoing efforts to map the water system by evaluating the condition of the assets to improve the operation of the utility.

- 13. Consideration and Recommendation for Approval of Abiquiu MDWCA & MSWA (Rio Arriba County) – Waste Water Preliminary Engineering Report – PG-5045.** The Abiquiu MDWCA & MSWA (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 for a Wastewater Preliminary Engineering Report (“PER”)

The PER will evaluate the existing community wastewater treatment facility defining the need for the project, description of the health, sanitation, and security issues, provide recommended improvements, costs, and funding options.

- 14. Consideration and Recommendation for Approval of Quay County – Preliminary Engineering Report – PG-5049.** Quay County (“County”) applied to the Local Government Planning Fund for \$25,000 for a Preliminary Engineering Report (“PER”).

The PER will evaluate the location of a proposed route for a County Road Project creating a shorter route for access to emergency services for the citizens in this area of the County.

- 15. Consideration and Recommendation for Approval of Otero County – Feasibility Study – PG-5051** Otero County (“County”) applied to the Local Government Planning Fund (“LGPF”) for \$7,500 for a feasibility study.

The funding will provide for an architectural study to evaluate the existing County courthouse including estimated costs for a new courthouse.

- 16. Consideration and Recommendation for Approval of Taos Pueblo (Taos County) – Water Project - DW-5027.** Taos Pueblo ("Pueblo") applied to the Drinking Water Revolving Loan Fund ("DWRLF") for \$400,000 for a Water System Improvements and Meter Project.

The electronic meters will provide accurate readings and billings to customers and reduce water loss. The Pueblo qualifies for 75% principal forgiveness, due to the project's financial status ranked #5 on the FY 2020 Annual DWSRLF Fundable Priority List.

Governor Richard Aspenwind thanked the Board for their consideration of the Pueblo's request for funding noting that the new water system will improve readings and tracking for customers usage while supporting water conservation.

- 17. Consideration and Recommendation for Approval of Town of Clayton (Union County) – Water Project - DW-5025.** The Town of Clayton ("Town") applied to the Drinking Water Revolving Loan Fund for \$150,000 for a Storage Tanks Renovation Water Project.

An inspection in February 2019 found that the exterior and interior of both tanks needed cleaning, priming and recoating. The 450K tank also needs a fall protection cage and security gate to the exterior ladder, and a secondary manway door. The Town did install the sacrificial anode system in both tanks in April 2019.

The Town qualifies for 75% principal forgiveness.

Member Fulginiti moved, seconded by Member Burke, for approval of agenda items 6 - 17. The motion passed 10 - 0.

- 18. Consideration and Recommendation for Approval of FY 2020 Disadvantaged Funding Budget Resolution.** Approval of a resolution regarding the determination of disadvantaged funding budget levels available to disadvantaged qualified entities.

On November 29, 2018 meeting, the Board approved changes to the Policies allowing the Board to approve a larger disadvantaged funding budget if the State had not diverted 20% or more of GGRT to the State's General Fund in the current, or subsequent, fiscal year. The State did not divert 20% or more of GGRT to the State's General Fund for Fiscal Year 2019.

The resolution authorizes the New Mexico Finance Authority to approve, for fiscal year 2020 only, a total disadvantaged funding budget level of \$10,000,000. All other provisions of the Rules and Policies remain in full force in effect and no other modifications to such Rules or Policies are authorized or permitted unless by subsequent action by the Board.

Member Fulginiti moved, seconded by Member Kopelman, for approval of FY2020 Disadvantaged Funding Budget Resolution. The motion passed 10 – 0.

- 19. Consideration and Recommendation for Approval of Santa Fe Community College (Santa Fe County) – 2019 Energy Performance Loan – PPRF-5014.** The Santa Fe Community College

("College") applied to the Public Project Revolving Fund ("PPRF") for \$5,912,950 to finance the infrastructure and costs related to the installation of Facility Improvement Measures ("FIMS") in the Main Building, Witter Fitness Center, Kids Campus, and HEC. The project will also have additional funding in the form of General Obligation Bond proceeds from the State (~\$2.8M) for a total project estimated at \$8.2M.

The College is working with Siemens who generated an Investment Grade audit ("IGA") identifying guaranteed savings and revenue generated from the improvements and upgrades for the project. Siemens will provide the services and installation of the College's system-wide improvements. The IGA projects are estimated to result in \$7,414,748 guaranteed utility savings, as well as \$1,829,980 in operations and maintenance cost savings over the twenty-year term of the loan. The New Mexico Energy Minerals and Natural Resources Department ("EMNRD") certified the guaranteed energy savings for this project.

The Gross System Revenues ("GSR"), derived from student tuition and fees, state appropriations, District mill levies, investment income, and the sales and services of educational departments and auxiliary enterprises are available for debt service to repay this loan. The College will pledge the GSR, excluding the mill levy (which by statute cannot be pledged) and state, federal and local grant funds and other restricted funds (which by their terms cannot be pledged) as security for this loan.

The mill levy is for both operations and retirement of debt for their General Obligation Bonds. Moody's rated the College's General Obligation Bonds as an Aa2. The College is asking for a waiver of a traditional debt service reserve fund based on the Aa2 rating of the General Obligation Bonds and their strong historical operational and audit performance.

The College will also have a Guarantee Bond for \$300,000 which the NMFA will maintain an interest in as a Dual Obligee. Should the annual savings not materialize, the guaranteed saving will be paid to the NMFA as the Dual Obligee. The NMFA will place the guaranteed savings into the DSRF not to exceed the tax-exempt bonds rules for funding a DSRF.

Ms. Becky Rowley, SFCC President noted that the project is very important to the College who views itself as a leader in the State in maintaining a green campus, furthering their initiatives in the area. The savings from the project pays for the loan itself and is key to the College moving forward.

The 2018 audit received an unmodified opinion with zero findings.

Member Fulginiti moved, seconded by Member Kopelman, for approval of Santa Fe Community College Project PPRF-5014 with waiver as requested. The motion passed 11 – 0.

- 20. Consideration and Recommendation for Amended Approval of Gallup/McKinley County School District – Refinance/Refunding – PPRF-2684A and PPRF-2694B.** Gallup-McKinley County School District ("District") requests an amendment to the Series 2012 Teacher Housing Refunding Bonds (PPRF-2684) loan agreement to modify the call date to October 10, 2019 allowing the payoff of the loan.

On January 27, 2012, the Board approved the Series 2012 Teacher Housing Refunding Bonds closing the loan on March 16, 2012 including the refunding of three NMFA loans, PPRF-1413, PPRF-1782 and PPRF-1904 with savings to the District of approximately \$2,600,000. The loan was set with a 10-year call feature.

The District received Capital Outlay funds from the 2019 legislative session. Along with Capital Outlay and additional school funds, the District wishes to pay off the Series 2012 Teacher Housing Refunding Bonds (PPRF-2684) which will save the District money and eliminate debt.

Member Fulginiti moved, seconded by Member Kopelman, for approval of Gallup/McKinley County School District Projects PPRF-2684A and PPRF-2694B. The motion passed 10 – 0.

- 21. Consideration and Recommendation for Revised Approval of City of Las Cruces (Doña Ana County) – 2019 Infrastructure Loan – PPRF-4976.** The City of Las Cruces (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$8,870,000 to finance public infrastructure for the Metro Verde master planned community in Las Cruces.

After NMFA Board approval last month, the City requested capitalizing interest on the first two years. Because this is a development project, the City wants to ensure the infrastructure is in place so that lots can be sold, allowing the developer to pay the City.

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. At the City’s request, a .30% bump has been added for an anytime call allowing for flexibility in the loan term.

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.

In response to a request from the Public Lending Committee, Mr. Ron Cruz reported that Mr. William Studer is the Interim City Manager with Ms. Terri Gayhart serving as Finance Director. Member Fulginiti explained that he had requested the information because the City has had considerable turnover in leadership. Member Fulginiti also noted that it is unusual to see audit results with that many findings.

Member Fulginiti moved, seconded by Member Suazo, for revised approval of City of Las Cruces Project PPRF-4976. The motion passed 10 – 0.

- 22. Consideration and Recommendation for Approval of Albuquerque Bernalillo County Water Utility Authority (“ABCWUA”) (Bernalillo County) – Water Project – DW-5028.** The ABCWUA applied to the Drinking Water Revolving Loan Fund (“DWRLF”) for \$2,020,000 to finance the continuation of the Carnuel water system improvements projects.

Mr. Todd Johansen presented a brief overview of the Drinking Water Program.

In response to a question from Chair Miller regarding the applicant's need to itemize the particular cost to receive the principle forgiveness, Mr. Johansen noted that itemization is not required with principle forgiveness set up at the creation of the loan.

The loan will fund Phase 2C, a continuation of the Carnuel Water System Improvements Project begun in 2009 extending and building water infrastructure from existing facilities owned and operated by the Authority to the Carnuel community.

The project qualifies for 25% principal forgiveness based on the project's financial status and is ranked #1 on the FY 2020 Annual DWSRLF Fundable Priority List.

Member Fulginiti moved, seconded by Member Suazo, for approval of ABCWUA Project DW-5028. The motion passed 10 -0.

- 23. Consideration and Recommendation for Approval of Big Mesa MDWCA (San Miguel County) – Water Project – DW-5029.** The Big Mesa MDWCA (“Association”) applied to the Drinking Water Revolving Loan Fund (“DWRLF”) for \$1,444,140 for water system improvements.

The system improvements will address the aging system including engineering and construction of a dedicated fill line to the water tank, a pretreatment microfiber system, meter replacement, and related appenditures.

The Association qualifies for 75% principal forgiveness based on the project's financial status and is ranked #2 on the FY 2020 Annual DWSRLF Fundable Priority List.

Member Fulginiti moved, seconded by Member Kopelman, for approval of Big Mesa MDWCA Project DW-5029. The motion passed 10 - 0.

- 24. Memo to Board Regarding Revised Approval on Recommendations for the 2019 Colonias Infrastructure Fund.** The CIB recommends approval for Camino Real RUA Project #4900-CIF and Dona Ana MDWCA Project #4910-CIF for the revised funding amounts comprised of a 90% grant and 10% loan based upon CIF policies.

Mr. Michael Vonderheide explained the purpose of the revised approval for the 2019 Colonias Infrastructure Fund.

On August 21, 2019, the Village of Tularosa returned its 2017 award and the CIB reallocated the funds to two 2019 awardees: Camino Real Regional Utility Authority and Dona Ana MDWCA. These recommendations were based on the initial prioritization of the project application, project size, available funding and readiness to proceed requirements. The two projects follow on the agenda.

Member Fulginiti noted that items #25 & #26 are an additional award of money and recommended approving the two items with one motion.

25. Consideration and Recommendation for Revised Approval of Camino Real Regional Utility Authority (Doña Ana County) – Sunland Park WW Treatment Plant Improvements – CIF-4900. The Camino Real Regional Utility Authority (“Authority”) applied to the Colonias Infrastructure Fund (“CIF”) for revised approval of \$1,164,000 for the Sunland Park WW Improvements Project. CIF Funding Award - CIF 10% loan- \$116,400, CIF 90% grant - \$1,047,600 totaling \$1,164,000.

26. Consideration and Recommendation for Revised Approval of Doña Ana MDWCA (Doña Ana County) – Southeast Collection System – CIF-4910. The Doña Ana MDWCA (“Association”) applied to the Colonias Infrastructure Fund for revised approval of \$935,868 for the Southeast Collection System. CIF Funding Award - CIF 10% loan- \$93,587, CIF 90% grant - \$842,281 totaling \$935,868.

Member Fulginiti moved, seconded by Member Burke, for revised approval of Camino Real Regional Utility Authority Project CIF-4900 and Doña Ana MDWCA Project CIF-4910. The motion passed 10 – 0.

Member Padilla-Jackson asked if the NMFA Board receives periodic updates on the fund balances with any concerns or challenges that the entities may have. Mr. Vonderheide noted that the Colonias Infrastructure Board Chair will present at the Oversight Committee meeting in October. Member Padilla-Jackson asked that the Oversight Committee presentation be shared with the NMFA Board.

Report from the Economic Development Committee (*Committee members are Secretary Alicia Keyes, Chair, Secretary Sarah Cottrell Propst, Secretary James Kenney, and Ms. Leslie Nathanson-Juris.*)

27. Update on Activities. Member Lovato reported on the Economic Development Committee meeting of September 18, 2019. In addition to reviewing the Private Lending Portfolio Report the Committee also discussed items 29 – 33 that follow on the agenda.

28. New Markets Tax Credit Overview.

Ms. Marquita Russel and Mr. Mike Ross, Financial Advisor with Baker Tilley presented an overview of the New Markets Tax Credit program.

29. Consideration for Approval of an Amendment to the New Markets Tax Credit Exit Structure for Friedman Recycling. Request for Extension for the B Note Exit Fee for the Friedman Recycling NMTC transaction.

On August 31, 2012, Finance New Mexico closed a NMTC transaction with Friedman Recycling. The project entailed the purchase of approximately 11.7 acres of land in central Albuquerque, the construction and equipping of 70,000 square foot single stream material recovery facility and the funding of certain start-up costs. In November 2011, Friedman Recycling entered into a 12-year single-stream recycling services agreement with the Solid Waste Management Department of the City of Albuquerque with provisions to extend the contract for two additional three-year terms.

During the compliance period, Friedman Recycling reported a dramatic shift in the economics of the

international recycling markets. Beginning in 2017, unanticipated environmental and trade restrictions significantly disrupted the global recycling industry which impacted Friedman Recycling. As a result, Friedman is unable to unwind the New Markets Tax Credit transaction as originally modeled and Friedman officials have requested additional time to repay the Exit Fee, now estimated at \$943,900.

Staff and local counsel concluded that the best way to move forward is to split the Note B into two notes: Note B1 that represents the Finance New Mexico's Exit Fee of \$943,900 and Note B2 that would be assigned in the un-wind up to the Investment Fund. Note B1 will continue to be secured by the Security Documents and Guaranteed by the Guaranties. In connection with the note split the loan documents will be modified to reflect the note split and to provide that Note A and Note B2 are no longer secured by the Security Documents and no longer guaranteed by the Guaranties. After the modification, Note A and Note B2 will be assigned to the investment fund and the modified loan documents and Note B1 will be assigned to Finance New Mexico Service Company.

Note B1 will carry the following terms: 23-year amortization with 2% interest based on the terms in the current loan agreement with a balloon payment due in 12 months from the date of the unwind.

Discussion ensued regarding the security of the loan if Friedman Recycling is unable to repay in 12 months. Ms. Russel noted that the entity indicated the 12-month period is ample time to repay the loan. The goal of this transaction is to help the company be successful and not put them at any disadvantage.

Member Lovato moved, seconded by Member Nathanson Juris, for approval of an amendment to the New Markets Tax Credit Exit Structure for Friedman Recycling. The motion passed 11 – 0.

30. Consideration and Recommendation of an Approval of Prioritization for Rural Round 27

Ranking of NMTC Applications. Staff recommended approval of prioritization for Rural Round 27 ranking of NMTC applications.

Eleven applications were submitted as part of NMTC Round 27. Nine of the applications were deemed eligible and have been evaluated by a three-member committee consisting of one review from NMFA, New Mexico Economic Development Department and Baker Tilly, Finance New Mexico's financial advisor. Of the nine applications reviewed, five applications met the policy requirements of at least 60 points and a moderate readiness. Pursuant to policy, the Finance New Mexico Advisory Board reviewed the projects and recommends approval as presented.

Round 27 Projects

<u>Rank</u>	<u>Score</u>	<u>Applicant</u>	<u>Location</u>	<u>Project Readiness</u>	<u>NMTC Requested</u>
1	71.33	McKinley Paper	Rural	Moderate	\$17,780,700
2	67.50	4PointsHC Laguna, LLC	Rural	High	\$11,500,000
3	63.50	Tucumcari	Rural	Moderate	\$ 1,823,250
4	61.17	Electric Playhouse	Urban	Moderate	\$ 396,264
5	60.33	Wards Building	Urban	Moderate	\$12,000,000
6	56.00	Alamogordo Home2 Suites by Hilton	Rural	High	\$ 8,700,000
7	51.83	Omega Point @Cascades of Carlsbad	Rural	Low	\$ 4,500,000
8	46.17	Ambience Hospitality 1, LLC	Rural	High	\$ 879,755
9	31.83	Leprino Foods Company	Rural	Low	\$15,000,000

There was discussion regarding the scoring of the projects and the next steps. Staff noted that the approval does not guarantee that the project will be funded. The approval of the prioritization allows staff to underwrite the transaction and perform due diligence to ensure the project can meet the criteria.

Member Kopelman expressed concern about the scoring for the Wards project. He noted that the project just met the threshold with low scores in job retention, job creation and area of higher distress.

Member Fulginiti moved, seconded by Member Lovato, for approval of Prioritization for Rural Round 27 Ranking of NMTC. The motion passed 9 – 0 with Member Kopelman voting against.

- 31. Consideration and Recommendation for Approval of a Resolution to Apply for New Markets Tax Credit Allocation.** Request to adopt a resolution authorizing Finance New Mexico, LLC to apply to the Community Development Financial Institutions Fund (“CDFI”) for up to \$100 million of additional New Markets Tax Credit (“NMTC”) allocation.

In May 2006, the NMFA Board of Directors authorized the formation of Finance New Mexico, a for-profit Community Development Entity (“CDE”) created to participate in the NMTC Program. As part of that approval, the Board is required to authorize the submittal of NMTC allocation applications. To date, NMFA, on behalf of Finance New Mexico, has applied for allocation seven times and has secured five allocation awards totaling \$286 million. To date, Finance New Mexico has closed 21 transactions totaling \$240.5 million, approved one transaction totaling \$5.5 million and is currently recommending prioritization of five qualified applications totaling more than \$43.5 million.

On September 4, 2019, the CDFI announced the terms of its 2019 Allocation Round of the NMTC Program with applications due on October 28, 2019. Based on the Notice of Allocation Availability, the CDFI is expected to award \$3.5 billion in NMTC allocation, with the maximum award capped at \$100 million. This is the last of five allocations authorized by the Path Act of 2015.

Member Nathanson-Juris moved, seconded by Member Kopelman, for approval of the Resolution authorizing application for New Markets Tax Credit allocation. The motion passed 10 – 0.

- 32. Consideration and Recommendation for Approval of a Resolution Revising the Sub-Allocation of New Markets Tax Credit Allocation for Continental Divide Electric Coop (“CDEC”), Phase III.** Request for revised NMTC Sub-Allocation for CDEC Phase 3 changing the CDEC – Phase 3 New Markets Tax Credit allocation from the CY 15/16 Allocation to the CY18 Allocation.

CDEC Phase 3 New Markets Tax Credit transaction for \$5.5 million of allocation was slated to close on September 10, 2019. Phase 3 of the project will fund the installation of high-speed broadband to CDEC’s clients located in Milan, Bluewater and San Rafael. Staff requests that the closing of this transaction be delayed until after the NMFA Board Meeting on September 26 to allow Finance New Mexico (“FNM”) to use CY 2018 allocation rather than CY 2015/2016 allocation. This move places FNM in a better position to meet the terms of the recently released Notice of Allocation Availability (“NOAA”) which requires that the applicants invest at least 30% of its 2018 allocation into Qualified Low-Income Community Investments (“QLICs”) by January 31, 2020.

Member Kopelman moved, seconded by Member Nathanson-Juris, for approval of a Resolution Revising the Sub-Allocation of New Markets Tax Credit Allocation for Continental Divide Electric Coop, Phase III. The motion passed 10 – 0.

- 33. Request for a Revised Amended Project Scope for La Clinica de Familia.** Staff recommends revised approval of the amended project scope to include construction of an approximately 10,000 sq. ft. building in downtown Las Cruces secured with a first mortgage on the project facility located on Lot 1A.

Staff requested Board approval of a revised amended project scope for a Behavioral Health Capital Fund loan to La Clinica de Familia. The revision is a technical clean up to clarify that the loan will be further secured by the subject facility to be located on one lot in downtown Las Cruces. The security on the original amended project scope included a second lot which is not being used for the project.

Member Suazo moved, seconded by Member Kopelman, for approval of a Revised Amended Project Scope for La Clinica de Familia. The motion passed 10 – 0.

Report from the Finance & Disclosure Committee. (*Committee members are Secretary Olivia Padilla-Jackson, Chair, Mr. William Fulginiti, Secretary Alicia Keyes, Mr. Martin Suazo, and Mr. David Martinez.*)

- 34. Update on Activities.** Mr. Bryan Otero reported on the items discussed at the Finance & Disclosure Committee met on September 18, 2019.

- 35. PPRF 2019D Senior Lien Tax-Exempt Revenue Bond Sales Report.** Mr. Michael Zavelle reported on the PPRF senior lien tax-exempt 2019D series bonds sold September 17, 2019 in the par amount of \$53,260,000. Lead manager was Morgan Stanley with JPMorgan and Citigroup as co-managers. Member Martin Suazo served as Board designee for the sale. The bonds closed on September 26, 2019 with bond proceeds funding loans totaling \$63,410,423.

The PPRF 2019D bonds mature in 2041 with an average life of 9.813 years and an effective interest rate on a true interest cost (TIC) basis of 2.36%. The 10-year call is June 1, 2029.

The 2019D bonds went out at 5% coupons but the final structure was adjusted upward by 2bp with year 2030 having split 4% and 5% coupons, year 2032 changing to a 4% coupon, and years 2035 – 2037 splitting 5% and 3% coupons.

The bond sale contained real positives for the PPRF. While spreads over the municipal pricing index on a true interest cost basis were higher, on an absolute yield basis the 2019D bonds outperformed the most recent PPRF senior lien bonds, the 2019B bonds. While large block size orders were mostly lacking, the number of individual orders in smaller amounts and the amount of retail activity were likely records for a PPRF bond sale.

Report from the Audit Committee. (*Committee members are Mr. Andrew Burke, Chair, Secretary Sarah Cottrell Propst, Mr. Martin Suazo, and Mr. Steve Kopelman.*)

36. Update on Activities. Member Burke reported on the projects discussed at the Audit Committee on September 18, 2019.

37. Compliance Exceptions Report.

Ms. Heather Boone presented the first Compliance Exceptions Quarterly Report. She noted that the quarterly report gives management time to implement the corrective actions.

38. Next Board Meeting

Thursday, October 24, 2019 – 9:00 a.m.
State Capitol, Room 309
Santa Fe New Mexico

39. Adjournment

Member Lovato moved, seconded by Member Suazo, to adjourn the meeting. The motion passed 11 - 0.

The meeting adjourned at 12:08 p.m.



Secretary

10/24/19

Date