

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

Minutes of Board Meeting
November 21, 2019
State Capitol - Room 311
Santa Fe, New Mexico

Present:

Katherine Miller, Chair	Santa Fe County Manager
Steve Kopelman, Secretary	Executive Director, NMAC
Regina Romero	Designee, Executive Director, NMML
Judi Kahl	Designee for Secretary, NM Environment Dept.
Donnie Quintana	Designee for Secretary, Dept. of Finance & Admin.
Matthew Lovato	Designee for Secretary, NMENRD
Andrew J. Burke	Chief Financial Officer, NMSU
David A. Martinez (<i>via conference</i>)	Laguna, NM
Martin Abran Suazo	Las Vegas, NM
Jon Clark	Designee for Secretary, NM Economic Development

Absent:

Leslie Nathanson Juris	Santa Fe, NM
------------------------	--------------

Finance Authority Staff:

Bryan Otero	Carmela Manzari
Connie Marquez	Dan Opperman
Dora Cde Baca	Floyd Trujillo
Frank Ibarra	Joe Durr
John Brooks	John Gasparich
LaRain Valdez	Leslie Medina
Mark Dalton	Marquita Russel
Michael Vonderheide	Michael Zavelle
Oscar Rodriguez	Ron Cruz
Ryan Olguin	Shawna Johnson
Zach Dillenback	

Guests:

Anne Browne	Sutin Thayer & Browne
Michelle Jones	Town of Estancia
Michelle Dunlap	Town of Estancia
Gregory Salinas	ENMU McCall, Parkhurst
Linda Melendres	Melendres & Melendres

Richard Virtue
George Williford
Mark Chaiken
Michelle Lawrence
Suzanne Bruckner
Santiago Quintana
Joseph C. Garcia
Rob Burpo
Larry Poeamis
Mario Juarez Infante/Espy

Virtue Najjar
Hilltop Securities for ENMU, City of Anthony
Virtue Najjar
Kewa Gas, LLC
Sutin Thayer & Browne
Kewa Gas, LLC
Kewa Gas, LLC

Sandoval County
Wilson & Company

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

3. **Approval of the October 24, 2019 Board Minutes.**

Member Suazo moved, seconded by Member Kahl, for approval of the October 24, 2019 Board minutes. The motion passed 10 – 0.

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

- Introduced Mr. Ryan Olguin who recently joined the NMFA as a Commercial Lender in the Economic Development area.
- Mr. Gasparich appointed Ms. Marquita Russel as project manager for the EnABLE project signaling a change to the way in which the project was being managed with Ms. Russel being the decision maker.
- Ms. Russel presented an update on the progress for EnABLE. Ms. Russel said staff shifted its perspective and rolled back the configuration that had been done in order to allow matching number by number, month by month all of the accounts in MITAS to EnABLE as the processes are written allowing to run debt service in the PPRF. She said staff is confident that the processes work, that the debt servicing function works, and that the interest spreading function works.

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 Kopelman presented the Public Lending Committee report on items discussed at the meeting on November 13, 2019.

6. **Consideration and Recommendation for Approval of Eastern New Mexico University (Roosevelt County) - 2020 Refunding Loan - PPRF-5127.** Eastern New Mexico University ("University") applied

to the Public Project Revolving Fund (“PPRF”) for \$22,525,191 to refund the Series 2011 PPRF-2590 (PPRF-2589) loan for economic savings.

The Series 2011 System Revenue Bonds, originated on July 29, 2011, were issued for \$28,050,000 for capital projects and two refunding maturities of the University’s Series 1998 Net System Revenue Bonds which were paid in full by April 2013.

PPRF-2590 is not callable and requires moving the call date to the closing date of the new loan. At closing, the University will cash pay the principal and interest due in the amount of \$795,911.50 for the maturity due on 4/1/2020. The gross debt service on the new refunding will equal what the PPRF was expecting to receive up until the original call date.

Based on the current market environment, refunding of the PPRF-2589 loan would likely achieve a net present value savings of approximately 17% equating to \$3.8M over the life of the refunding loan. The maturity of the refunding bonds matches the term of the refunded bonds.

The University will utilize Gross System Revenues (“GSR”) for debt service to repay this loan. Moody’s rated the University’s most recent overall credit rating A1 in 2012. The University will cash fund a debt service reserve over a two-year period in the event loan coverage falls below 2.0xs. The University had the springing reserve parameters on the refunded loan and also on its current outstanding PPRF debt.

The 2018 audit received an unmodified opinion with 4 findings, none a material weakness nor a significant deficiency.

Member Suazo moved, seconded by Member Kopelman, for approval of Eastern New Mexico University Project PPRF-5127. The motion passed 10 – 0.

7. Consideration and Recommendation for Approval of Western Mora Soil & Water Conservation (Mora County) – 2020 Equipment Loan - PPRF-5060. Western Mora Soil & Water Conservation (“Western”) applied to the Public Project Revolving Fund for \$51,506 to purchase new equipment.

Staff completed a credit analysis of the District’s operating income including Mil Levy, rental, and other income. Staff also reviewed the District’s unaudited profit and loss statement for FY19 which included a beginning cash balance of \$233,918. The credit analysis showed negative net revenue after expenses.

The District provided two consecutive months of the District’s business checking account statements with both statements reflecting an ending cash balance of \$147,000. To proceed with the purchase through the PPRF utilizing disadvantaged funding, staff will structure the loan to include a Deposit Account Control Agreement (“DACA”) with the full debt service payment funds in the account. The NMFA will ACH (automatic clearing house) the monthly payments, and any other withdrawals or changes to the DACA, will require NMFA approval.

The 2018 audit received an unmodified opinion with no findings.

After brief discussion, the Board elected to table further action until next meeting requesting Western’s

representatives to attend the meeting.

Member Kopelman moved, seconded by Member Kahl, to table Western Mora Soil & Water Conservation Project PPRF-5060 to the next meeting. The motion passed 10 – 0.

- 8. Consideration and Recommendation for Approval of Sandoval County – 2020 Tax-Exempt Jail Refunding Loan – PPRF-5126.** Sandoval County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for \$3,745,839 to refund 2012 Taxable Jail Loan PPRF-2825 associated with the detention facility (“Facility”) in Cuba, New Mexico.

The loan is secured by a subordinated pledge of the County’s first increment of local option gross receipts tax, as well as lease agreement revenues paid by the Facility operator AMI-Kids (“Operator”). The County is seeking to refund the 2012 PPRF loan since the Operator cannot continue operating the Facility at a loss and CYFD is ready to enter into an agreement to occupy the beds at the Facility. Given the recent occupancy difficulties the Facility and Operator have been facing, the primary goal is to lower the annual debt service, which drives the annual lease costs to the Operator, on the refunding loan. The proposed refunding loan is being extended an additional 7 years from the refunded loans established 2033 maturity. At this time, loan counsel does not feel that this extension creates any useful life issues. Under current market conditions, and assuming that the loan can be refunded on a tax-exempt basis, the refunding is expected to achieve savings of approximately \$257,710 which represents net present value savings of more than 8% over the life of the loan.

At closing, the 2012 Taxable Jail Loan received a ten-year call provision not callable until 10/1/2022. The County is requesting a loan amendment moving the call feature up allowing the loan refunding on the current basis. To help offset the upfront benefit of modifying the call feature on the refunded loan, the refunding loan will carry a 12-year call provision as opposed to the traditional 10-year call.

To date, the lease revenues collected by the Operator have been paying the debt service on the PPRF loan on a monthly basis. For the purposes of underwriting, NMFA staff is qualifying the loan purely on the strength of the County’s GRT pledge and has not assigned any value to the pledge of the Facility’s lease payments.

The 2018 audit received an unmodified opinion with 2 findings including a prior year material weakness. The County provided a corrective action plan.

Member Suazo moved, seconded by Member Kopelman, for approval of Sandoval County Project PPRF-5126. The motion passed 10 – 0.

- 9. Consideration and Recommendation for Approval of Kewa Enterprises, Inc. (Sandoval County) – 2020 Gas Equipment Loan – PPRF-5125.** Kewa Gas, LLC (“Kewa Gas”), a limited liability company formed under the laws of Santo Domingo Pueblo, applied to the Public Revolving Project Fund (“PPRF”) for \$151,134 to finance a portion of the purchase of gas equipment for two gas stations.

Kewa Gas plans on using private funds for approximately half the project costs estimated at \$300,000. The gas dispensers are being replaced due to age and to be PIC compliant which requires new chip technology on all dispensers by October 2020.

Kewa Gas will use corporate earnings as repayment of this loan and has agreed to set up an ACH agreement with monthly payments to NMFA deducted before any other distributions.

The 2018 audit received an unmodified opinion with no findings.

Member Suazo moved, seconded by Member Kopelman, for approval of Kewa Enterprises, Inc. Project PPRF-5125. The motion passed 10 – 0.

- 10. Consideration and Recommendation for Approval of Town of Estancia (Torrance County) - 2020 Equipment Loan - PPRF-5123.** The Town of Estancia ("Town") applied to the Public Project Revolving Fund ("PPRF") for \$17,633 to finance a portion of one police interceptor utility vehicle with police package.

The Town will be using \$17,496 of last year's unused funds with the remainder provided by this loan. The Town will pledge Law Enforcement Protection Funds as repayment for the loan.

The Towns FY2018 Disclaimer Audit had 4 findings including 3 material weaknesses and one significant deficiency. The Town has had a Disclaimer Audit for the past three years. A corrective action plan is in place.

The Town's representatives responded to questions on the audit stating that the Town is doing well, and town is in good shape.

Member Kopelman moved, seconded by Member Kahl, for approval of Town of Estancia Project PPRF-5123. The motion passed 10 – 0.

- 11. Consideration and Recommendation for Approval of City of Anthony – (Doña Ana County) 2020 Infrastructure Loan – PPRF-4815.** The City of Anthony ("City") applied to the Public Project Revolving Fund for \$4,000,000 to purchase, construct, remodel, and renovate property creating a municipal governmental complex with green space and public parks.

The property is approximately 126 acres previously used as the community golf course. The City will repurpose the existing 8,418 sq. clubhouse and other buildings for a recreational facility and multi-generational community center using the acquired water rights to water the green space and public parks. The City may consider future opportunities with Doña Ana County to construct offices on the property.

The City will use the currently enacted first and second increments of the Municipal Local Option Gross Receipts Tax and the recently enacted Hold Harmless GRT (.375%) for repayment of the loan.

The 2018 audit received an unmodified opinion with 3 findings including a prior year significant deficiency. The City submitted a corrective action plan.

Member Romero moved, seconded by Member Suazo, for approval of City of Anthony Project PPRF-4815. The motion passed 10 – 0.

- 12. Consideration and Recommendation for Approval of Otero County, Boles Acres VFD – 2020 Fire Equipment Loan – PPRF-5128.** Otero County (“County”), Boles Acres Volunteer Fire Department (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for \$171,285 to purchase a Pumper/Tanker apparatus.

The County will utilize County Fire GRT and contribute \$267,000 in carry-forward funds. The Department has an ISO rating of 4 with 3 main stations and receives an annual base distribution of \$194,253 from State Fire Protection Funds.

Considered a disadvantaged entity, the County will receive a 2% disadvantaged interest rate finalized at closing.

Member Kopelman moved, seconded by Member Kahl, for approval of Otero County Project PPRF-5128. The motion passed 10 – 0.

- 13. Consideration and Recommendation for Approval of Town of Lake Arthur (Chaves County) – 2020 Police Equipment Loan – PPRF-5124.** The Town of Lake Arthur (“Town”) applied to the Public Project Revolving Fund (“PPRF”) for \$50,378 to purchase a police utility vehicle with police package.

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

The 2018 audit received an unmodified opinion with zero findings.

Member Suazo moved, seconded by Member Kopelman, for approval of Town of Lake Arthur Project PPRF-5124. The motion passed 10 – 0.

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.*)

- 14. Update on Activities.** Member Clark reported on the Economic Development Committee meeting of November 12, 2019. In addition to reviewing the Private Lending Portfolio Report the Committee also discussed item 15 that follows on the agenda.

- 15. Request to Modify the Exit Fee Calculation for McKinley Paper Company – NMTC-5067.**

McKinley Paper Company (“MPC”) requested a modification of the Exit Fee criteria for the Finance New Mexico “B” Note.

McKinley Paper Company requested a modification of the Exit Fee calculation to use the metric of collection of 220,000 tons of recycled paper rather than producing 248,000 tons of recycled packing paper during the seven-year compliance period. Pursuant to NMFA policy, the modification request was reviewed and approved by the Finance New Mexico Advisory Board. The Economic Development Committee reviewed the item and recommends approval as presented.

McKinley Paper representatives have agreed to this metric and concur that this will have a better impact on the community and the environment and exceeds its current collection level at the plant in Prewitt.

Member Clark moved, seconded by Member Quintana, for approval to modify the exit fee calculation for McKinley Paper Company. The motion passed 10 – 0.

Member Lovato departed the meeting at 10:15 am.

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.)*

16. Update on Activities. Member Quintana reported on the items discussed at the Finance & Disclosure Committee met on November 12, 2019 which follow on the agenda.

17. Consideration for Approval of FY2020 Budget Amendments to Designate the Transfer of \$12 Million Dollars from the Finance Authority Operating Fund to the Economic Development Program, and to Commit as a Reserve a Portion of the Beginning Operating Fund Balance Equal to the Approved Operating Budget (\$9.69 Million). Staff recommended approval of a \$12 million transfer of the unobligated operating fund balance to the Economic Development Revolving Fund (“EDRF”) to use in an expanded Loan Participation Program.

In August 2019, David Buchholtz of the Rodey Firm provided a legal analysis, confirming the opinion of the NMFA Office of General Counsel, that subordinated participations made under the Economic Development Revolving Fund did not violate the Anti-Donation Clause of the Constitution. This opinion came at the request of the NMFA legislative oversight committee who seeks to revive the success of the Collateral Support Participation program. With this advice, NMFA is able to amend its program policies to allow NMFA to broaden the use of the fund to include more flexible terms using non-federal money.

Staff is proposing that NMFA recapitalize the EDRF with \$12 million of excess unobligated operating fund balances. If approved, staff will present policies for a loan participation program that blends the Smart Money and Collateral Support Participation programs to be marketed as the Loan Participation Program.

Regarding the commitment of a reserve to ensure stability in the provision of its services, NMFA should maintain a sufficient cash balance in the Operating Fund to reasonably insulate its operations from large and unanticipated expenditure requirements, revenue reductions and shortfalls, adverse litigation, or any similar unforeseen action. This balance should also help insulate NMFA’s operating

activities from slower revenue growth, at least in the short term, to allow the Board and management time to plan and adjust accordingly. Staff is proposing that the Board amend the FY 2020 budget by (1) recognizing a beginning balance in the Operating Fund at the start of the fiscal year in the amount of \$24.9 million, and (2) committing as a reserve a portion of this balance equal to the approved operating budget of \$ 9.96 million.

Member Suazo moved, seconded by Member Jon Clark, for approval of FY2020 budget amendments designating the transfer of \$12 Million from the Finance Authority Operating Fund to the EDRF, and to commit as a reserve a portion of the beginning operating fund balance equal to the approved operating budget of \$9.96 million. The motion passed 9 – 0.

- 18. Review of 1st Quarter Budget Performance Report.** Mr. Oscar Rodriguez presented the budget performance report for the 1st Quarter of FY2020 for the Operating Fund.

To date, no significant variance is projected from the approved budget which was presented for the first time in a fund summary format showing a beginning and ending balance along with a proposed amendment.

FY 2020 began with a beginning balance of \$28.1 million unrestricted cash in the Operating Fund. Best practice is reserve a reasonable amount of the fund balance as committed and reinvest the remainder in the Board's program priorities.

Staff will present the budget with the Operating Fund's beginning balance representing the entirety of unrestricted cash held in that fund. The approved beginning balance shall be treated as "committed" funds and not be expended except as an amendment to the approved budget by the Board. Staff will monitor this fund balance as part of the adopted budget and shall report on the current and projected cash balance and committed reserve as part of the periodic budget performance report presented to the Board.

Lengthy discussion ensued regarding the proposed format and materials as presented. Member Kopelman voiced concern regarding the difficulty in understanding the data as presented noting that he is uncomfortable with the numbers. Mr. Rodriguez and Ms. Marquita Russel reviewed the information presented and responded to questions from the Board.

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

- 19. Update on Activities.** Member Burke reported on the Audit Committee discussions on November 13, 2019.
- 20. Consideration for Approval of First Quarter Financial Statements.** Mr. Oscar Rodriguez reviewed the first quarter Financial Statements.

Member Kopelman suggested that in the future staff provide a memorandum of explanation when presenting the financial statements to assist the Board in better understanding the information presented. The Board was hesitant to approve unaudited financial statements. The Board concurred on approving financials only when changes are requested by staff.

21. Executive Session: Closed Session to Discuss Limited Personnel Matters Regarding the Hiring of a CEO as Allowed by NMSA 1978, Section 10-15-1(H)(2).

Chair Miller entertained a motion for the NMFA Board of Directors to go into Executive Session to discuss Limited Personnel Matters Regarding the Hiring of a CEO as Allowed by NMSA 1978, Section 10-15-1 (H) (2).

Member Clark moved, seconded by Member Suazo, to go into Executive Session to discuss Limited Personnel Matters Regarding the Hiring of a CEO as Allowed by NMSA 1978, Section 10-15-1 (H) (2).

On a roll call vote, the motion to go into Executive Session passed 9 – 0.

Return to Open Meeting.

Chair Miller stated we are now in open meeting. Let the record reflect that no action was taken during the closed meeting and the only thing discussed was Limited Personnel Matter Regarding the Hiring of a CEO as Allowed by NMSA 1978, Section 10-15-1 (H) (2).

22. Consideration for Approval of Hiring Chief Executive Office of the New Mexico Finance Authority. Chair Miller presented the Executive Committee recommendation appointing Ms. Marquita Russel to the position of Chief Executive Officer for the New Mexico Finance Authority.

Chair Miller moved, seconded by Member Kopelman, to authorize Chair Miller to negotiate a salary approving the hiring of Ms. Marquita Russel as the CEO for the New Mexico Finance Authority. The motion passed 9 – 0.

23. Next Board Meeting

Thursday, December 19, 2019 – 9:00 a.m.
State Capitol, Room 309
Santa Fe New Mexico

24. Adjournment

Member moved, seconded by Member, to adjourn the meeting. The motion passed 9 - 0.

The meeting adjourned at 12:08 p.m.


for Steve Kopelman Secretary
12-19-19
Date