

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

Minutes of Board Meeting
December 19, 2019
State Capitol - Room 309
Santa Fe, New Mexico

Present:

William Fulginiti, Vice Chair
Leandro Cordova, Secretary
Judi Kahl
Donnie Quintana
Matthew Lovato
Andrew J. Burke (*via conference*)
Leslie Nathanson Juris
David A. Martinez
Martin Abran Suazo

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

Absent:

Katherine Miller, Chair
Alicia Keyes

Santa Fe County Manager
Secretary, NM Economic Development

Finance Authority Staff:

Bryan Otero
Connie Marquez
Frank Ibarra
John Brooks
Leslie Medina
Mark Lovato
Michael Vonderheide
Oscar Rodriguez
Ryan Olguin
Susan Rodriguez

Carmela Manzari
Dan Opperman
Joe Durr
LaRain Valdez
Mark Dalton
Marquita Russel
Michael Zavelle
Ron Cruz
Shawna Johnson
Zach Dillenback

Guests:

Anne Browne
Booner Appleman
Edward DesPlas
Erik Harrigan
James Alarid
Joey Mora
John Thompson
Kerri Langoni

Sutin Thayer & Browne
San Juan College
San Juan College
RBC Capital Markets
Los Alamos County
Hidalgo County Commission Chair
San Juan College
San Juan College

Susen Ellis
Suzanne Bruckner
Theresa Edwards
Toni Pendergrass

BOKF
Sutin Thayer & Browne
LFC
San Juan College

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 Kahl, to approve the agenda. The motion passed 9 - 0.

3. **Approval of the November 21, 2019 Board Minutes.**

Member Suazo moved, seconded by Member Kahl, for approval of the November 21, 2019 Board minutes. The motion passed 9 - 0.

4. **Report from Chief Executive Officer.** Ms. Marquita Russel reported on the following:

- ◆ The State Auditor has released the 2019 CAFR posted on the Web site on Monday. Ms. Russel congratulated Mr. Oscar Rodriguez and staff for their efforts in completing the NMFA's first CAFR.
- ◆ Regarding EnABLE, Ms. Russel reported making slow but steady progress. On the PPRF reconciliation, the processes work; however, have been slowed by small errors in loan set-ups. She mentioned the need to ensure that in doing the reconciliations and validations that there are no variances from the Mitas system to date.
- ◆ The Oversight Committee met on December 2, 2019 with staff presenting the proposed legislation for the upcoming 2020 legislative session. Ms. Russel reviewed the proposed legislation.
- ◆ Staff will present the Strategic Plan in January for approval so staff can begin preparation of the 2021 budget. Ms. Russel presented and reviewed a reorganization plan that allows for addressing the strategic plan while also addressing the risk of EnABLE necessitating the need for more specialists in different areas at a staff level. Ms. Russel said the proposed plan focuses on core functions rather than programs allowing for specialization as it relates to EnABLE while providing staff an opportunity to grow. Ms. Russel reviewed the proposed organizational chart with the changes as recommended.

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 Cordova presented the Public Lending Committee report on items discussed at the meeting on December 11, 2019.

6. **Consideration and Recommendation for Approval of San Juan College (San Juan County) – 2020 Student Housing Loan – PPRF-5133** San Juan College (“College”) applied to the Public Project Revolving Fund (“PPRF”) for \$14,142,471 to design and construct a student housing facility.

The College plans to build and develop new student housing on the Farmington campus to include

150 beds and potentially more as demand grows. Initially the College will self-operate and self-manage student housing. As the project moves forward, the College plans on hiring a Director of Student Housing and hire and train the staff required to manage and operate student housing and residential life activities.

The Gross System Revenues (“GSR”), derived from student tuition and fees, federal and state appropriations, and the sales and services of education departments and auxiliary enterprises are available to repay this loan. The College will pledge the GSR, excluding state, federal and local grant funds and other restricted funds as security for the loan.

The 2018 audit received an unmodified opinion with 4 significant deficiencies. The College provided a corrective action plan.

Member Quintana moved, seconded by Member Lovato, for approval of San Juan College project PPRF-5133. The motion passed 9 – 0.

7. **Consideration and Approval for Revised Approval of City of Moriarty (Torrance County) – 2020 Refunding of Lease Purchase Agreement – PPRF-5048.** The City of Moriarty (“City”) applied to the Public Revolving Fund (“PPRF”) for \$83,967 for technical refunding of a lease purchase agreement (“Agreement”).

The Agreement was secured on 07/20/2018 for \$112,304.54 for two new command units. The City has paid one of the five annual payments towards repayment. Under current market conditions, the refunding is expected to achieve actual savings of approximately \$2,771.26 representing net present savings of more than 3.62% over the life of the loan.

The City will pledge State Fire Protection Funds towards the repayment of the loan. The City has an ISO rating of 4 with 2 main stations and receives an annual distribution of \$194,253 from the State Fire Protection Funds.

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

Member Suazo moved, seconded by Member Lovato, for revised approval of City of Moriarty Project PPRF-5048. The motion passed 9 – 0.

8. **Consideration and Recommendation for Approval of South Central Solid Waste Authority (Doña Ana County) – 2020 Infrastructure Loan – PPRF-5129.** The South-Central Solid Waste Authority (“Authority”) applied to the Public Project Revolving Fund (“PPRF”) for \$4,369,749 to finance cell construction at the Corralitos landfill in Doña Ana County.

The cell-4 construction is part of the larger Corralitos landfill consisting of 11 cells totaling 203.6 acres on the Eastern part of the landfill. Cell-4 is approximately 14.0 acres and will be the disposal site for refuse collected from various collection points around the region. The cell construction requires a 4-layer compost liner system, leachate collection pipes, and other environmental controls.

The Authority will pledge Net System Revenue of the Solid Waste Authority as repayment. The City of Las Cruces is considered a disadvantaged entity and will receive a 2% disadvantaged interest rate determined at closing.

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

Member Martinez moved, seconded by Member Lovato, for approval of South-Central Solid Waste Authority project PPRF-5129. The motion passed 9 – 0.

9. **Consideration and Recommendation for Revised Approval of Southwest Solid Waste Authority (Grant County) – 2020 Equipment Loan – PPRF-4940.** The South West Solid Waste Authority (“Authority”) applied to the Public Project Revolving Fund (“PPRF”) for \$864,760 for technical refunding of a lease purchase agreement.

The Authority entered into the agreement for equipment to ensure compliance with New Mexico Environment Department rules and regulations while maintaining a clean and efficient landfill for the residents of Silver City and Grant County.

Under current market conditions, the refunding is expected to achieve actual savings of approximately \$49,508.28, which represents net present value savings of more than 6.529% over the life of the loan.

The 2018 audit received an unmodified opinion with 2 findings neither a material weakness nor significant deficiency. The Authority submitted a corrective action plan.

Member Suazo moved, seconded by Member Nathanson-Juris, for approval of Southwest Solid Waste Authority project PPRF-4940. The motion passed 9 – 0.

10. **Consideration and Recommendation for Revised Approval of Doña Ana County – 2020 Energy Renewable Bonds– PPRF-5057.** Doña Ana County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for revised approval of \$4,632,513 replacing the County Local Option GRT with the County Correction GRT distribution.

The Board approved Project PPRF-5057 on October 24, 2019 for energy upgrades/improvements at the Doña Ana County Detention Center pursuant to an Energy Savings Performance Contract. The County pledged distribution of the first one-eighth of one percent (.125%) increment of the County Local Option GRT but later determined that the dedication of the County Local Option GRT was to be pledged to future projects by the County Sheriff’s Department. The County believes the County Correction GRT would be a more appropriate and valid pledged revenue to be used on this loan agreement.

The County does not have any outstanding debt against the proposed pledge revenue with coverage on the loan increasing from 2.27xs (1.25x coverage required) to 10.61xs when utilizing the new pledge.

In response to a comment from Member Cordova, the Board discussed how staff will analyze future projects when GGRT increments may have already been pledged for specific purpose but not been earmarked.

Member Suazo moved, seconded by Member Lovato, for revised approval of Doña Ana County project PPRF-5057. The motion passed 9 – 0.

- 11. Consideration and Recommendation for Revised Approval of Santa Fe Community College (Santa Fe County) - 2020 Energy Improvements – PPRF-5014.** Santa Fe Community College (“College”) applied to the Public Project Revolving Fund (“PPRF”) for revised approval for \$5,612,842 to finance the infrastructure and costs related to the installation of Facility Improvement Measures (“FIMS”).

The Board approved the project in September 2019 for \$5,636,477 to include a parity lien (senior) status with an additional bonds test of 300%. The term was twenty years with a coverage ratio of 20.07xs (no minimum required coverage specified) and an interest rate of 3.21%.

The State Board of Finance (10-15-2019) and the Department of Higher Education (9-11-2019) both approved the request with a 200% senior lien and 175% parity lien. The College wishes to change the approval of the PPRF-5014 loan to match the approvals received from the State Board of Finance and the Department of Higher Education’s parity lien position and additional bonds test.

The new tax-exempt loan amount is \$5,621,842 with a coverage ratio of 19.83% and a net interest cost of 3.30%. All other terms and conditions of the initial approval remain the same.

Member Suazo moved, seconded by Member Lovato, for revised approval of Santa Fe Community College project PPRF-5014. The motion passed 9 – 0.

- 12. 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 (“PPRF”) for \$51,506 to purchase new equipment.

The District believes that applying to the PPRF with a cash guarantee structure and the mil levy as the pledged revenues would help the District secure debt against the mil levy keeping it in place while taking advantage of the 10% disadvantaged taxable interest rate and establishing a relationship with the NMFA.

Staff completed a credit analysis of the District’s operating income which included Mil Levy income, rental income, 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 reflecting an ending cash balance of \$147,000. To proceed with the purchase of the District’s new equipment through the PPRF utilizing disadvantaged funding, staff will structure the loan to include a Deposit Account Control Agreement (“DACA”) with the full debt service payments funds in the account. The NMFA will ACH (automatic clearing house) the monthly payments. Any other withdrawals or changes to the DACA, will require NMFA approval.

The 2018 audit received an unmodified opinion with no findings.

Ms. Carmela Manzari noted that although the NMFA Board had requested Western's presence at today's meeting, the Western Board is also meeting today preventing them from attending.

Member Suazo moved, seconded by Member Lovato, for approval of Western Mora Soil & Water Conservation project PPRF-5060. The motion passed 9 – 0.

- 13. Consideration and Recommendation for Approval of Cider Mills Farms MDWCA (Otero County) – Preliminary Engineering Report– PG-5135.** Cider Mill Farms Mutual Domestic Water Consumers Association ("Association") applied to the Local Government Planning Fund for \$50,000 for a preliminary engineering report.

The PER will examine the design, layout and correction of deficiencies of the current water system, evaluate ground water production wells to meet current and future demands, life cycle, and potential new supply points. The Association plans to use the document to apply for 2021 funding through the Colonias Infrastructure fund.

Member Cordova moved, seconded by Member Suazo, for approval of Cider Mills Farms MDWCA project PG-5135. The motion passed 9 – 0.

- 14. Consideration and Recommendation for Approval of City of Los Lunas (Valencia County) – 2020 Drinking Water Project - DW-5130.** The City of Los Lunas ("City") applied to the Drinking Water Revolving Loan Fund for \$3,201,659 to finance the North Waterline Phase 1 project.

The project will install a second river crossing waterline from the NM 6 bridge across the Rio Grande to supplement the single 12-inch line which currently services the entire east side water network. The project will also seek to meet goals identified in the 2014 Los Lunas Water Master Plan. Because Phase 1 includes the Rio Grande crossing, it will provide the support needed to prevent the loss of east side water service and fire protection if the existing 12-inch Rio Grande waterline crossing is shut down for any reason.

The Village will pledge Net Systems Revenue of the Joint Utility consisting of Water and Sewer net income as the pledged revenue towards the loan. The Village also qualifies for 25% principal forgiveness totaling \$800,414.57.

Member Suazo moved, seconded by Member Kahl, for approval of City of Los Lunas project DW-5130. The motion passed 9 – 0.

- 15. Consideration and Recommendation for Village of Magdalena (Socorro County) – 2020 Drinking Water Project – DW-5132.** The Village of Magdalena ("Village") applied to the Drinking Water Revolving Loan Fund for \$1,000,000 to finance the Magdalena Water Well Project 2.

The project includes designing and constructing a new municipal water well and water line improvement/replacement to supply potable water to the Village and as funding allows, rehabilitation to the existing well and the addition of a new storage tank.

The Village, who qualifies for 75% principal forgiveness, will pledge Net System Revenue of the Net Joint Utility which consists of water, wastewater, and solid waste net income as repayment towards the loan.

Concerns were voiced by Board members regarding Magdalena's ability to undertake the loan. Magdalena staff, participating by telephone, addressed Magdalena's financial situation citing the Village's ability to repay the loan.

Member Suazo moved, seconded by Member Kahl, to table Village of Magdalena Project DW-5132. The motion passed 9 – 0.

- 16. Consideration and Recommendation for Amended Approval of Big Mesa MDWCA (San Miguel County) – 2020 Drinking Water Project - DW-5029.** Big Mesa MDWCA ("Association") applied to the Drinking Water Revolving Loan Fund ("DWSRLF") for \$1,944,140 to amend Project DW-5029 by increasing the loan amount and DWSRLF principal forgiveness subsidy.

In September 2019, the Association received Board approval for \$1,444,140 to fund water system improvements consisting of a loan of \$361,035 and DWSRLF principal forgiveness subsidy of \$1,083,105. The terms were thirty years with a coverage ratio of 2.44xs (1.20x required) and an interest rate of .25%.

An upgrade and change in the type of treatment plant and related equipment increased the costs and will save in operations and maintenance. The Association is requesting additional funds in the amount of \$500,000 for a new loan amount of \$486,035. The DWSRLF principal forgiveness subsidy will increase to \$1,458,105 with the updated funding package totaling \$1,944,140. The new coverage ratio is 1.81xs.

Member Suazo moved, seconded by Member Kahl, for approval of Big Mesa MDWCA project DW-5029. The motion passed 9 – 0.

- 17. Consideration and Recommendation for Revised Approval of Los Alamos County – Water Project - WTB-4826.** Los Alamos County ("County") applied to the Water Trust Board ("WTB") for \$800,000 for the Overlook Park Effluent Water Booster Station. WTB Funding Award – WTB 40% loan - \$320,000, 60% grant - \$480,000 totaling \$800,000.

The County will pledge net system revenue of the Water Utility Fund for this loan. Per the County's General Indenture, the Water Utility Fund is separate from the Joint Utility System Fund which is leveraged for other debt issuances. To properly account for additional bonds tests and expected coverage ratios, the County will provide NMFA a financial summary detailing how it disburses its various debt service amongst the utility enterprise funds on an annual basis.

The disconnect was between how the credit was being underwritten versus how the underlying pledge revenue was being documented in the loan agreement. The NMFA and County have agreed on a method that quantifies the needed coverage is being met. The difference in the discussion at Public Lending and the numbers presented today was an additional loan that was in construction and not disclosed to the NMFA nor identified by the auditors

Member Quintana moved, second by Member Kahl, for revised approval of Los Alamos County Project WTB-4826. The motion passed 9 – 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.*)

18. Update on Activities. Member Lovato reported on the Economic Development Committee meeting of December 10, 2019. In addition to reviewing the Private Lending Portfolio Report the Committee also discussed items 19 – 21 that follow on the agenda.

19. Consideration and Recommendation of Approval of BHCF Application for Hidalgo County – BH-5138. Hidalgo County applied to the Behavioral Health Capital Fund (“BHCF”) for \$250,000 to purchase a building.

The County desires to purchase the former Sunshine Haven nursing home facility, owned by Preferred Care Inc. and operated by Preferred Care Partners Management Group. The 29,184 Sq. Ft facility sits on 25 acres of land which has been vacant since June 3, 2019 when the last provider vacated the premises.

The RTC model will provide a clinically managed residential treatment ranging from medium intensity to low intensity based on client need. The model will serve adult clients up to thirty days who voluntarily want residential treatment services. The RTC will also serve adult pregnant and recently post-partum women, individuals who have detoxed from the surrounding communities, and hospital referrals.

The County will pledge commercial real estate, land and building, as collateral for the loan with pledged revenue as security in the form of the County Local option GRT, 1st increment in the amount of \$90,545.

The 2018 audit received an unmodified opinion with 1 finding, a repeat significant deficiency. The County provided a corrective action plan.

Mr. Joey Mora, Hidalgo County Commission Chair, offered support for the project noting the County’s numerous issues over the last year.

Member Suazo moved, seconded by Member Lovato, for approval of BHCF project BH-5138. The motion passed 9 – 0.

20. Consideration and Recommendation of a Final Approval for NMTC Financing for 4PointsHC. – NMTC-5071. Staff recommends final approval of a NMTC application with 4Points HC Laguna, LLC for \$10,000,000.

The Pueblo of Laguna (“Pueblo”) plans to construct an approximate 15,051 sq. ft. health clinic which will provide medical services including gynecology, pediatrics, minor surgery, adult general treatments, pharmacy, and lab and imaging services. 4PointsHC will own and lease the facility to Laguna Healthcare Corporation (“LHC”) who will operate the new health care facility under a Use Agreement to provide medical services to the Pueblo and surrounding communities.

The NMTC loans will be secured by a collateral assignment of an irrevocable Use Agreement between the Pueblo and 4PointsHC Laguna, LLC. This Use Agreement will be in place for at least the life of the loan. The NMTC loans will also be secured by a collateral assignment of the build to suit agreement between the Pueblo and 4PointsHC Laguna, LLC. The Pueblo will guarantee the completion of construction and the obligations of 4PointsHC Laguna, LLC under all the NMTC loan documents as general obligations of the Pueblo.

Mr. Brooks noted the biggest change is in the collateral assignment which has a trigger mechanism in place requiring approval before December 31, 2019.

Mr. Dan Opperman reviewed the proposed resolution which approves the use of a portion of the 2018 allocation awarded under the NMTC program to Finance New Mexico, LLC by approving a Qualified Low-Income Community Investment under the Federal New Markets Tax Credit Program in the form of loans in the total amount of \$9,700,000 from Finance New Mexico-Investor Series XXVII, LLC to 4Points HC Laguna, LLC, a New Mexico Limited Liability Company; authorizing and approving the execution of a term sheet, authorizing and approving the execution of other documents; and authorizing the taking of all other actions necessary to the consummation of the transactions contemplated by the resolution.

Member Suazo moved, seconded by Member Martinez, for final approval of 4PointsHC NMTC-5071. The motion passed 9 – 0.

21. Consideration and Recommendation to Open the 28th Round of Competitive New Markets Tax Credit Applications. Recommendation to open the 28th round of Competitive New Markets Tax Credit Applications.

The NMFA Board, on behalf of Finance New Mexico, LLC (“FNM”), has offered 27 competitive application cycles to date, including several exclusive application rounds for projects located in rural areas.

In May, FNM received notification of a \$40 million NMTC award from the Calendar Year 2018 application which allows FNM to invest allocation in all eligible census tracts within the State, including metropolitan and rural counties. This award marks the fifth allocation from the CDFI Fund and brings FNM’s total to \$286 million in authorized NMTC allocation. The recent award requires FNM to invest at least \$8 million in rural areas and \$8 million in small projects. The two transactions pending will meet rural requirement of the award and FNM will have the small projects program in place during the 2020 calendar year.

With the requirements met, staff will be accepting applications in all eligible census tracts throughout the State. The enrollment period will be open for at least two weeks and the application will be open for at least four weeks.

Member Suazo moved, seconded by Member Nathanson-Juris, for approval to open the 28th round of competitive New Markets Tax Credit Applications. The motion passed 9 – 0.

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

22. Update on Activities. Member Burke reported on the Audit Committee on December 11, 2019. The Committee did not attain a quorum but did discuss the financial statements presented by Mr. Oscar Rodriguez.

23. Quarterly Compliance and Exception Report.

Ms. Heather Boone reviewed the Compliance Exceptions Quarterly Report. Thirteen exceptions were validated and closed. Minor corrections to the job descriptions were addressed by Ms. Dora Cde Baca, CAO. There was one addition, the Deloitte succession implementation.

24. Review of New Mexico Finance Authority Strategic Plan. Ms. Russel commented on the steps taken in updating the NMFA's strategic plan which the Board approved in August 2018. She said the presentation will update the Board on the current status with re-adoption scheduled in January with specific recommendations. Ms. Boone reviewed the proposed strategic plan discussing the steps taken in developing the plan.

Member Nathanson-Juris voiced her delight in receiving the Strategic Plan noting that the incoming Communication Director will have a lot to work with. She commended staff for developing the Plan.

25. Next Board Meeting

Thursday, January 23, 2019 – 9:00 a.m.
Morgan Hall – State Land Office
310 Old Santa Fe Trail
Santa Fe New Mexico

26. Adjournment

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

The meeting adjourned at 11:55 a.m.



Secretary
1-26-20

Date