Present:
Katherine Miller, Chair
William Fulginiti, Vice Chair
Donnie Quintana
Matthew Lovato
Andrew J. Burke
Leslie Nathanson-Juris
David A. Martinez
Judi Kahl

Santa Fe County Manager
Executive Director, NMML
Designee for Secretary, Dept. of Finance & Admin.
Designee for Secretary, NMENRD
NMSU
Santa Fe, NM
Laguna, NM
Designee for Secretary, NM Environment Dept.

Absent:
Steve Kopelman
Martin Abran Suazo
Alicia Keyes

Executive Director, NMAC
Las Vegas, NM
Secretary, NM Economic Dev.

Finance Authority Staff:
Angela Quintana
Connie Marquez
Dora Cde Baca
Frank Ibarra
Joe Durr
Leslie Medina
Maria Gallardo
Mark Lovato
Mary Finney
Norman Vuylsteke
Ryan Olguin
Susan Rodriguez
Zach Dillenback

Bryan Otero
Dan Opperman
Floyd Trujillo
Heather Boone
John Brooks
Lisa Barela
Mark Dalton
Marquita Russel
Michael Zavelle
Oscar Rodriguez
Shawna Johnson
Todd Johansen

Guests:
Anne Browne

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.** Ms. Marquita Russel requested removal of Item 16 from the agenda.

   Member Kahl moved, seconded by Member Fulginiti, to approve the amended agenda. The motion passed –7 - 0.

3. **Approval of the December 19, 2019 Board Minutes.**

   Member Fulginiti moved, seconded by Member Quintana, for approval of the December 19, 2019 Board minutes. The motion passed 7 – 0.

   Member Martinez joined the meeting

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

   - Ms. Russel distributed the updated organizational chart noting that filling the vacant positions is on target. The office reorg is also almost complete.
   - Recognized Ms. Mary Finney, NMFA Funding Coordinator, who is in attendance today.
   - Mona Killian, IT Security Analyst, is back having completed her four months of military training.
   - Ms. Russel commended Mr. Floyd Trujillo and Mr. Frank Ibarra for their efforts during Ms. Killian’s absence.
   - Acknowledged Ms. Lisa Barela, NMFA Senior Administrative Assistant, who is also in attendance today.
   - Regarding EnABLE, Ms. Russel said staff has not made the progress anticipated. The reboot did not occur as predicted and TechPG has suffered illness and accidents preventing them from concentrating on the project. Staff concluded primary process and testing information for activity statements; however, faced an unfortunate set back.
   - Mentioned the bills that have been introduced thus far during the ongoing Legislative session.

**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 January 15, 2020.

6. Consideration for Approval of Amendment to PPRF Loan Management Policies. Staff recommends approval of a proposed policy change on Simultaneous Loans.

Staff recommends the elimination of Maintenance and Origination Fees on PPRF loans to improve equity among the borrowers, as well as improve efficiency in the servicing of these loans. The structuring of these fees has changed over the years, more recently with the intention of recovering operating costs. Currently fees are applied to all new PPRF loans as part of NMFA’s cost of issuance; however, the result has been that costs are not fully recovered and the burden on zero interest loans is higher than on market rate loans. Eliminating the fees altogether would facilitate accounting for these loans and ensure that all loans will be treated equally.

The proposed policy change provides flexibility, has little impact on risk, and allows greater efficiency both in terms of PPRF portfolio management and the management of underwriters.

Member moved Fulginiti, seconded by Member Nathanson-Juris, for approval of amendment to the PPRF Loan Management Policies. The motion passed 8 – 0.

7. Consideration and Recommendation for Approval of Quay County, Jordan Fire Department – 2020 Fire Equipment Loan – PPRF-5136. Quay County (“County”), on behalf of Jordan Fire Department (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for $221,663 to finance the purchase of a fire apparatus and corresponding equipment.

The Department will pledge State Fire Protection Funds as the revenue source and will contribute $216,226 toward the purchase. The Department has an ISO class rating of 8 with 1 main station and 2 substations and receives an annual base distribution of $89,422.

The 2018 audit received an unmodified opinion with two findings, one a repeat significant deficiency. The County submitted a corrective action plan.

8. Consideration and Recommendation for Approval of Quay County, Conservancy #3 FD – 2020 Fire Equipment Loan – PPRF-5137. Quay County (“County”) Conservancy #3 Fire Department (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for $221,663 to purchase a new fire apparatus and related equipment.

The Department will pledge State Fire Protection Funds as the revenue source and will contribute $213,847 towards the purchase. The Department has an ISO class rating of 9 with 1 main station and 1 substation and receives an annual base distribution of $54,483. The County qualifies for disadvantaged funding determined at closing.

The 2018 audit received an unmodified opinion with 1 finding, a repeat significant deficiency. The County provided a corrective action plan.
9. Consideration and Recommendation for Approval of Union County, Sedan FD - 2020 Fire Equipment Loan - PPRF-5141. Union County ("County"), on behalf of the Sedan Fire Department ("Department"), applied to the Public Project Revolving Fund ("PPRF"), for $186,398 to purchase a fire apparatus and relevant equipment.

The Department will pledge State Fire Protection Funds ("FPF") as the revenue source. The Department has an ISO class rating of 7 with 1 main station and 2 substations and receives an annual base distribution of $94,561. The Department is contributing $198,469 toward the purchase, $100,000 from a New Mexico Fire Protection Grant with remaining funds from the Fire Protection Fund. Considered a disadvantaged entity the County will receive a 2% disadvantaged interest rate determined at closing.

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

10. Consideration and Recommendation for Approval of Catron County – 2020 Infrastructure Loan – PPRF-5140. Catron County ("County") applied to the Public Project Revolving Fund ("PPRF") for $176,324 to purchase approximately 1.60 acres of vacant land located on Main Street in the Reserve, NM.

The land will be used for parking and special events with the County eventually erecting an administrative building on the property. The County will pledge the first increment (.125%) of County’s Gross Receipts Tax as repayment of the loan. The County qualifies for disadvantaged funding with the amount determined at closing.

The 2018 audit received an unmodified opinion with 6 findings, none a material weakness nor a significant deficiency. The County provided a corrective action plan.

11. Consideration and Recommendation for Approval of La Madera MDWCA (Rio Arriba County) – Preliminary Engineering Report – PG-5144. La Madera MDWCA ("Association") applied to the Local Government Planning Fund ("LGPF") for $50,000 for a Preliminary Engineering Report ("PER").

The PER will assess the water system to evaluate the most cost-effective solutions for replacing water tanks and evaluate the system's infrastructure to bring the facility into compliance with NMED's October 2019 Sanitary Survey Report which identified several significant deficiencies.

12. Consideration and Recommendation for Approval of La Union MDS&WA (Doña Ana County) – Water Asset Management Plan – PG-5147. La Union MDS&WA ("Association") applied to the Local Government Planning Fund for $20,000 for a Water Assessment Plan ("WAP").

The WAP will provide the framework for making data driven decisions on operating, maintaining, repairing, rehabilitating, and replacing assets while defining the condition, service life, capital cost and replacement values, combined with a system identification map. The Association plans to use the
document for applying for 2021 Colonias Infrastructure and Water Trust Board funding.

**Member Fulginiti moved, seconded by Member Quintana, for approval of Consent Agenda Items 7 – 12. The motion passed 8 – 0.**

13. **Consideration and Recommendation for Approval of Rio Arriba County – Series 2020 General Obligation Bond – PPRF-5154.** Rio Arriba County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for $6,000,000 to finance infrastructure and costs related to various projects.

Proposed projects include repairs to county roads ($12M); plan, design, construct, and equip a skilled nursing and rehabilitation hospital ($12M); and design, construct, and acquire athletic facilities and other indoor and outdoor exercise facilities ($6M). The County received vetter approval for $30M in November 2019 valid for 4 years. The NMFA will purchase $6M with the PPRF.

The 2018 audit received an unmodified opinion with 3 findings, none a material weakness nor a significant deficiency.

**Member Fulginiti moved, seconded by Member Kahl, for approval of Rio Arriba County Project PPRF-5154. The motion passed 8 – 0.**

14. **Consideration and Recommendation for Revised Approval of Southwest Solid Waste Authority (Grant County) – 2020 Equipment Loan - PPRF-4940.** The Southwest Solid Waste Authority (“SWSWA”) applied to the Public Project Revolving Fund (“PPRF”) for $892,248 for a technical refunding of their lease purchase agreements.

A Joint Powers Agreement (“JPA”) between Grant County, the Towns of Silver City, Hurley, Santa Clara, and Bayard created the SWSWA, which entered into a lease purchase agreement for equipment to maintain a clean and efficient landfill for the residents of Silver City and Grant County while complying with New Mexico Environment Department rules and regulations.

Under current market conditions, the original refunding is expected to achieve actual savings of approximately $44,045.04 representing net present value savings of more than 6.01% over the life of the loan. The two new lease agreements are a technical refunding and generate no additional savings.

SWSWA will pledge Net System Revenue of the Solid Waste towards repayment of the loan.

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

**Member Fulginiti moved, seconded by Member Quintana, for revised approval of Southwest Solid Waste Authority Project PPRF-4940. The motion passed 8 – 0.**

The County will pledge Law Enforcement Protection Funds as repayment of the loan. The County qualifies for disadvantaged funding determined at the time of closing.

The County’s FY2018 Audit received an Adverse & Disclaimed Opinion which included 19 findings, 8 material weaknesses and 7 significant deficiencies resulting in a Multiple Opinion. The County provided a corrective action plan indicating that the majority of these findings have been corrected. The Village anticipates that the FY2019 Audit should confirm major improvement.

In response to a request from Chair Miller to address the audit findings, Mr. Paul Ludi, Finance Director, noted that last year was the first time the County has submitted their audit on time since 2010. The County’s audit was released yesterday with only 4 findings, 2 addressing capital assets which have been corrected leaving 2 findings that will be addressed this coming year. Mr. Ludi said the 2019 audit received an unmodified with the County off the at-risk list.

**Member Fulginiti moved, seconded by Member Martinez, for approval of Village of Cibola County Project PPRF-5143. The motion passed 8 – 0.**

16. Consideration and Recommendation to Amend Loan Agreements for Camino Real Regional Utility Authority (Doña Ana County) – DW-2430; WTB-0264; CIF-3342; CIF-4900. Item removed from agenda.

17. Consideration and Recommendation for Revised Approval of Valley Estates MW&SA (Rio Arriba County) – Water Storage Tank Replacement – DW-4734. The Valley Estates Mutual Water and Sewer Association (“Association”) applied to the Drinking Water State Revolving Loan fund (“DWSRLF”) for $72,500 to amend Project DW-4734 by increasing the loan amount and principal forgiveness subsidy.

In May 2018, the Association received approval from the Board for $204,479 to fund a water project consisting of a loan of $51,187 and DWSRLF principal forgiveness subsidy for $153,562. The terms were 20 years with a coverage ratio of 1.62xs (1.20xs required) and an interest rate of .25%.

Project costs have increased since approval and throughout the bidding process. The Association is requesting additional funds in the amount of $72,500 for a new loan amount of $69,312 and increased principal forgiveness subsidy of $207,937. The updated funding package totals $277,249 with a coverage ratio at 1.39xs.

**Member Fulginiti moved, seconded by Member Kahl, for revised approval Valley Estates MW&SA Project DW-4734. The motion passed 8 – 0.**
18. Consideration and Recommendation for Revised Approval of City of Bayard (Grant County) – Wastewater Project – CIF-4899. The City of Bayard ("City") applied to the Colonias Infrastructure Fund ("CIF") requesting replacement of the originally pledged revenue, Water and Sewer Fund, with the regional Joint Wastewater Fund on CIF-4899 loan scheduled to close on February 21, 2020.

The City received approval for CIF-4899 on April 30, 2019 originally underwritten with the City’s Net System Revenues of the Water and Sewer Fund as pledged revenue. Upon review, the City clarified their intent to pledge the Net System Revenues of the Joint Wastewater Fund comprised of the City of Bayard, Village of Santa Clara, Town of Hurley, New Mexico Department of Health (for the Fort Bayard Medical Center), and Grant County, all located in Grant County.

The City has two outstanding NMED debts against the proposed pledge revenue. Coverage on the loan decreases from 16.93xs under the old pledge (1.0xs coverage required) to 1.24xs when utilizing the new pledge.

Member Fulginiti moved, seconded by Member Kahl, for approval of City of Bayard Project CIF-4899. The motion passed 8 – 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.)

19. Update on Activities. Member Lovato reported the Economic Development Committee, at the January 14, 2020 meeting, reviewed the Private Lending Portfolio Report. Following the Committee meeting, staff was informed by Counsel on the 4Points HC Laguna, LLC New Markets Tax Credit transaction of a need to modify the guaranty on the NMTC Transaction, which appears on today’s agenda under item #20.

20. Consideration and Recommendation for a Modification of the Guaranty for 4Points HC Laguna, LLC. Staff recommends a modification on the guaranty for 4Points HC Laguna, LLC.

Staff is recommending a modification of the guaranty on the NMTC transaction to eliminate a technical tax issue with the transaction. The modification will allow the transaction to close prior to the January 31 deadline.

On December 19, 2019, the NMFA Board passed a Resolution authorizing the sub-allocation by Finance New Mexico, LLC to Finance New Mexico-Investor Series XXVII, LLC ("Series XXVII") of $10,000,000 of its 2018 Allocation and the use of such sub-allocation by Series XXVII to make a Qualified Low-Income Community Investment in 4Points HC Laguna, LLC ("Borrower") in the form of $9,700,000 in Loans from Series XXVII to Borrower for the construction of an approximate 15,051 sq. ft. health clinic. The December 2019 Board approval was contingent upon the transaction being structured in accordance with the provisions of the Term Sheet.
On January 14, the Pueblo’s counsel raised an issue that requires a modification to the Guaranty as it is currently described in the Term Sheet. A guaranty of QLICI principal by a leverage lender such as the Pueblo raises issues of economic substance under Internal Revenue Code Section 7701(o). The Pueblo, as the leverage lender, cannot provide a guaranty of Note A and Note B because within the New Market Tax Credit rules the Pueblo cannot be the lender and guaranty payment of the loan to itself. The presence of such a guaranty could cause the NMTC transaction to possibly be treated as lacking economic substance, which could deny the NMTC Investor (US Bank) the tax credits.

Under the current structure, the Pueblo guaranties construction and completion of the Project and payment of the principal and interest due under Note A and Note B. Under the revised structure, the Pueblo will guaranty construction and completion of the Project and payment of the Exit Fee due under Note B. In addition, the Pueblo will guaranty payment of principal and interest due under Note A and Note B.

**Member Kahl moved, seconded by Member Lovato, for approval of modification of the Guaranty for 4Points HC Laguna, LLC. The motion passed 8 – 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.)*

**21. Update on Activities.** Member Quintana reported on the items discussed at the Finance & Disclosure Committee meeting on January 15, 2020. The Committee discussed the items which follow on the agenda.

**22. Consideration for Approval of the Amended Publicly Distributed Bond Issuance & Underwriter Policy with Underwriter Pool Requirements.** The Finance & Disclosure Committee and staff recommend approval of the Revised Publicly Distributed Bond Issuance and Underwriter Policy with Underwriter Pool Requirement

The existing Underwriter Policy, revised in October 2016, is outdated in terms of actual practice and incorporating of legislative changes. The revised policy is also better organized.

The revisions address the following issues:

- The existing policy is competitive sale centric and not well received by underwriters. In practice, neither competitive nor negotiated sales are favored. New language recognizes actual practice.
- Greater flexibility is provided to cash funded loans between $10 and $15 million. While loans of $10 to $15 million will usually be simultaneously funded by bond issues, the requirement can force issue of bonds of less than $25 million, which NMFA considers to be a minimum size. The greater flexibility in the revised policy also permits better management of underwriting assignments.
- The revised policy allows the NMDOT to opt into the Underwriter Pool on an annual basis rather than NMFA being forced to issue individual RFPs for each NMDOT bond issue, which is time consuming and unproductive. The possibility of a greater number of bond issues being available for pool members...
could attract an even more competitive applicant pool leading to greater outreach to investors.

- Delegation, signed by the Governor on April 6, 2017, and the basis on which NMFA has issued bonds since July 1, 2017, does not exist in the current policy. The proposed policy corrects that oversight.
- RFP scoring is adjusted to put more weight on what has proven to be the most relevant strength for underwriters to have – the ability to increase the investor pool. In evaluating RFP proposals, the most time is spent on the section now worth 50 points.
- Policy is that two alternative co-managers can be in the pool with one being selected from firms only applying to be co-managers. The revised policy allows the second alternative co-manager to be selected from the senior pool if there are no co-manager only applicants.

Member Quintana moved, seconded by Member Lovato, for approval of the amended Publicly Distributed Bond Issuance & Underwriter Policy with Underwriter Pool Requirements. The motion passed 8 – 0.


As of December 31, 2019, the NMFA has total invested funds of $767 million of which $704 million is NMFA funds and $63 million in NMDOT. The current overall book yield on the NMFA portfolio is 1.944% and market yield of 1.576% compared to the benchmark of 1.603% with a weighted average duration of .852 compared to the benchmark of .834.

24. Consideration for Approval of the Waiver to the Finance Authority’s Procurement Policy to extend the Bank of Albuquerque Contract for Trustee Services. The Finance & Disclosure Committee recommends approval of a waiver of the Finance Authority’s Procurement Policy regarding Trustee Services.

Mr. Daniel Opperman, Chief Legal Officer, explained that due to the continuing EnABLE implementation, conducting an RFP at this time would cause significant hardship to the Finance Authority. The Committee and staff recommend extending the trustee contract through March 2021.

Mr. Opperman further explained that although the Finance Authority is not subject to the State Procurement Code (“Code”), the Finance Authority’s Procurement Policy was modeled in the spirit of the Code. As such, Section 13-1-150 does permit contracts for trustee services to extend past the four-year limitation imposed by the Code. Granting a waiver of the Finance Authority’s Procurement Policy would simply be consistent with already permissible activities contemplated by the Code.

Member Quintana moved, seconded by Member Lovato, for approval of the Waiver to the Finance Authority’s Procurement Policy to extend the Bank of Albuquerque Contract for Trustee Services. The motion passed 8 – 0.

Report from the Audit Committee. (Committee members are Mr. Andrew Burke, Chair, Secretary Sarah Cottrell Propst, Mr. Martin Suazo, and Mr. Steve Kopelman.)
25. Update on Activities. Member Burke reported on the projects discussed at the Audit Committee on January 15, 2020. Items included an EnABLE update, an update on the internal audit from Deloitte, reviewed work to incorporate with EnABLE, reviewed the financial statements, and Strategic Plan.

26. Consideration for Approval of Moss Adams as FY2020 External Auditors. Staff recommends retaining Moss Adams LLC as NMFA’s external auditor to complete the FY 2020 audit contingent upon State Auditor approval.

Staff informed the Audit Committee last week that Moss Adams performed superbly in preparing the FY 2019 audit. They completed the audit plan established at the onset of the exercise last spring, which included the extra work of reviewing NMFA’s first ever attempt at preparing a comprehensive annual financial report (“CAF”r”) and first ever presentation of a separate Operating Fund.

Mr. Oscar Rodriguez said continuity is key as the FY 2020 audit will be more challenging because of the planned migration to EnABLE. Based on Moss Adams familiarity with the environment NMFA will have been operating in until the point of conversion, staff believes that retaining Moss Adams represents the most feasible option for successfully completing the FY 2020 audit.

Retaining Moss Adams for another year will require approval by the Office of State Auditor (“OSA”). If authorized by the NMFA Board, staff’s specific request to the OSA will be to allow an exception to the State Audit Rule that requires re-bidding of audit contracts at least every three years. The substantial and unique challenge that the conversion to EnABLE this spring presents for the FY 2020 audit is a strong basis for such a determination.

In response to a question from Member Miller, Mr. Rodriguez indicated that Mr. Bryan Otero, Legal and Compliance Counsel, has contacted the OSA, who appeared amenable to the possible request. Mr. Otero noted his approach with the OSA has been to emphasize the difficulty in issuing an RFP with the EnABLE implementation and continuity in contracting with Moss-Adams for another year.

Member Burke moved, seconded by Member Kahl, for approval of Moss Adams as FY2020 External Auditors. The motion passed 8 – 0.

27. Consideration and Recommendation for Approval of the NMFA Strategic Plan. Staff recommends adoption of the Strategic Plan.

Ms. Heather Boone, Legal and Compliance Counsel, explained that the Board initially approved the Strategic Plan in September 2018, which was resubmitted in December 2019, following significant changes in board composition, to ensure alignment with the strategic direction previously set forth. The Board committees also reviewed the Strategic Plan at the January meetings providing additional opportunity for review and input from members.

Ms. Russel noted that following approval of the Strategic Plan, NMFA will hold an all staff Strategic Planning Retreat in February 2020 focused on obtaining input on NMFA’s impact metrics and
objectives. NMFA staff will propose a Fiscal Year 2021 budget incorporating these strategic initiatives. Key impact metrics will be refined through an iterative process and collected for analysis. Upon final determination, the key impact metrics will be presented to the Board for adoption.

Chair Miller commented that she would appreciate seeing more detail tying goals to individual jobs, what their duties are, and how they contribute to meeting strategic goals. Chair Miller said strategic plans are difficult but looks forward to actually using the plan providing the direction for the organization.

**Member Fulginiti moved, seconded by Member Nathanson-Juris, for approval of the NMFA Strategic Plan. The motion passed 8 – 0.**

### 28. Next Board Meeting

Thursday, February 27, 2020 – 9:00 a.m.

Morgan Hall, State Land Office
Santa Fe New Mexico

### 29. Adjournment

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

The meeting adjourned at 10:45 a.m.

[Signature]

*Secretary*

*2-27-20*

*Date*