

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

Minutes of Board Meeting
May 28, 2020
Zoom Meeting

Present:

A.J. Forte	Interim Executive Director, NMML
Andrew J. Burke	Chief Financial Officer, NMSU
David A. Martinez	Laguna, NM
Debbie Romero	Secretary, Dept. of Finance & Admin.
Jon Clark	Designee for Secretary, NM Economic Development
Judi Kahl	Designee for Secretary, NM Environment Dept.
Katherine Miller	Santa Fe County Manager
Leslie Nathanson-Juris	Santa Fe, NM
Martin Abran Suazo	Las Vegas, NM
Matthew Lovato	Designee for Secretary, NMENRD
Steve Kopelman	Executive Director, NM Counties

Finance Authority Staff:

Adam Johnson	Alex Orozco
Angela Quintana	Anthony Silva
Bryan Otero	Carmela Manzari
Charlotte Larragoite	Dan Opperman
Dora Cde Baca	Floyd Trujillo
Frank Ibarra	Joe Durr
Joe Maldonado	John Brooks
LaRain Valdez	Leslie Medina
Lisa Barela	Lynn Taulbee
Maria Gallardo	Mark Lovato
Marquita Russel	Mary Finney
Michael Vonderheide	Michael Zavelle
Oscar Rodriguez	Rio Trujillo
Ron Cruz	Ryan Olguin
Shawna Johnson	Susan Rodriguez
Todd Johansen	

Guests:

Anne Browne	Sutin Thayer & Browne
Brad Angst	Stifel
Brad Patterson	Gilmore Bell
D. Ryan Carstens	Eastern New Mexico University
Erik Harrigan	RBC Capital Markets
George Williford	

Helen Atkeson
Jerry Kyle
Justin Horwitz
K. Simpson
Kaeley Weimerskirch
Karen Torres
Lauren Dussinger
Lisa Downey
Pedro Ramos
Regina Gaysina
Rex Wilson
Richard Virtue
Scott Grady
Steve Maldonado
Susen Ellis
Suzanne Bruckner

Hogan Lovells
Orrick, Herrington & Sutcliffe, LLP
Rodey Law Firm

NMED

J.P. Morgan
RBC Capital Markets

Virtue Najjar

Grants-Cibola County School District
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 Suazo moved, seconded by Member Lovato, to approve the agenda. The motion passed 10 - 0.

3. **Approval of the April 23, 2020 Board Minutes.** Member Kopelman requested a correction to his agency's name

Member Suazo moved, seconded by Member Nathanson-Juris, for approval of the amended April 23, 2020 Board minutes. The motion passed 10 – 0.

4. **Report from Chief Executive Officer.** Ms. Marquita Russel reported on the following:
 - Operations under the Emergency Health Order

NMFA continues to operate remotely with a small skeletal crew onsite. Following the protocols outlined by the Governor, NMFA is allowing additional staff to return to work; however, the days are being staggered with no more than 15% of the staff to be onsite at any one time. A transition task force is readying the office for a larger onsite crew once the Governor recommends such action. The NMFA's landlord is replacing the carpets and installing ultraviolet air purifiers in the heating and cooling system. The building will be deep cleaned prior to staff's return with deep cleaning happening more frequently.

- **2020 Special Session**

Staff has identified three recent appropriations that could help the State with solvency without impacting operations. Staff continues to advocate for statute changes to broaden the Primary Care Capital Fund and Behavioral Health Capital Fund to include operating capital as eligible uses. Staff is also recommending the legislature grant the NMFA authority to make Public Project Revolving Fund ("PPRF") loans without prior legislative authorization for a temporary period, through June 30, 2023. This temporary

period would allow NMFA to complete unanticipated loan restructuring and finance projects that did not expect to use the PPRF for its financing during the economic crisis created by the COVID-19 pandemic and subsequent business closures.

Member Forte asked about any concerns regarding the upcoming Special Session and possible reversion of funds. Ms. Russel noted that some funds have been identified that may potentially be reverted back to the State for help with the solvency issue without impacting NMFA operations.

- **EnABLE Update:**

The Accounting staff continues to make progress on the reconciliation and validation of PPRF data in a live environment. Staff is building the record for PPRF beginning July 1, 2019 and will have at least one complete year of data prior to transitioning out of MITAS, NMFA's legacy loan servicing system. Moss Adams has begun the EnABLE implementation review.

- **Other Ancillary Projects:**

Work on a new website has begun and is expected to be complete by the middle to end of summer. Since migrating the PPRF and Department of Transportation bond data to Bondlink, a specialized third-party investor website, NMFA is now able to retool NMFA's website to focus on existing clients, potential applicants and stakeholders.

The migration of Abila, NMFA's General Ledger system, to a cloud-based system is nearly complete leaving MITAS, NMFA's legacy loan servicing system, as the only non-cloud-based system operated by NMFA.

Staff recently completed the procurement of a board meeting agenda management system. Staff will begin the process of transitioning to Granicus for its committee and board agenda and meeting materials compilation.

- **Interim Loan, Grant and Participation Modification Policy**

In April 2020, the NMFA Board approved an Interim Loan, Grant and Participation Modification Policy that provides the CEO with the authority to modify loan covenants. Ms. Russel reported her intent to exercise that discretion with five City of Socorro loans. To aid with anticipated cash flow declines, the City requested that it be able to use the debt service reserve funds for five of its loans. Under the loan documents, debt service reserve funds may be drawn upon if borrower is unable to make the scheduled interest and/or principal payments on November 1st and May 1st. The City has requested that NMFA acknowledge the use of the debt service reserve funds and allow the City to replenish the debt service reserve funds over time.

The City's request was presented in detail to the Public Lending Committee at its May 20, 2020 meeting. Staff is finalizing the Letter Agreement acknowledging the use of the funds and will continue to report to the Public Lending Committee on these loans.

5. Report from the Nominating Committee. Member Forte presented the Nominating Committee recommendation to elect Member Kopelman as Board Vice-Chair and Member Nathanson-Juris as Board Secretary.

6. Election of Vice Chair and Secretary.

Member Forte moved, seconded by Member Clark, to accept the Nominating Committee recommendation electing Member Kopelman as Vice-Chair and Member Nathanson-Juris as Secretary for the New Mexico Finance Authority. The motion passed 10 – 0 on a roll call vote.

7. Appointment of Committees. Chair Miller recommended the following Committee appointments:

Executive Committee

Katherine Miller, Chair

Steve Kopelman
Leslie Nathanson-Juris
Martin Suazo
A.J. Forte

Finance & Disclosure Committee

Martin Suazo, Chair

Debbie Romero
A.J. Forte
Alicia Keyes/Jon Clark
David Martinez

Audit Committee

Andrew Burke, Chair

Steve Kopelman
Sarah Cottrell Propst/Matthew Lovato
Martin Suazo

Public Lending Committee

A.J. Forte, Chair

Steve Kopelman
Debbie Romero
James Kenney/Judi Kahl
David Martinez

Economic Development Committee

Alicia Keyes/Jon Clark, Chair

Leslie Nathanson-Juris
James Kenney/Judi Kahl
Sarah Cottrell Propost/Matthew Lovato

Member Suazo moved, seconded by Member Kahl, to approve the Chair’s committee appointments. The motion passed 10 – 0 on a roll call vote.

Member Romero joined the meeting.

Report from the Public Lending Committee. *(Committee members are A.J. Forte, Chair; Secretary Debbie Romero, Secretary James Kenney, Mr. Steve Kopelman and Mr. David Martinez.)*

8. Update on Activities. The Public Lending Committee met on May 20, 2020. Staff presented 4 LGPF applications, gave an overview of the WTB process and recommended approval of the projects on the consent agenda, reviewed 2 DWRLF projects and 16 PPRF applications. The 2021 IUP was also discussed.

Items 9 – 46 were placed on the Consent Agenda.

- 9. City of Anthony (Doña Ana County) – Preliminary Engineering Report – PG-5256.** The City of Anthony (“City”) applied to the Local Government Planning Fund (“LGPF”) for \$37,500 for a Preliminary Engineering Report (“PER”) to study the realignment of Livesay Street from Morales Street to 4th Street.
- 10. Consideration and Recommendation for Approval of French MDWCA&SWA (Colfax County) – Preliminary Engineering Report – PG-5241.** The French MDWCA&SWA (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 for a preliminary engineering report to evaluate water system infrastructure needs and solutions subsequent to an administrative order for failure to meet health standards for disinfectant byproducts.
- 11. Consideration and Recommendation for Approval of City of Truth or Consequences (Sierra County) – Economic Development Feasibility Plan– PG-5240.** The City of Truth or Consequences (“City”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund an Economic Development Feasibility Study that will provide an overall Master Plan for the City's River Walk
- 12. Consideration and Recommendation for Approval of City of Truth or Consequences (Sierra County) – Asset Management Plan – PG-5239.** The City of Truth or Consequences (“City”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a Sanitary Sewer Asset Management Plan that will identify and itemize the current conditions of all wastewater assets.
- 13. 2020 Funding Determination Memo to NMFA, Overview of WPF Funding.** Approval of grants and loans to 29 applicants recommended by the Water Trust Board (“WTB”) from the 2020 application cycle.

Ms. Angela Quintana and Mr. Michael Vonderheide reviewed the dynamics of the Water Project Fund (“WTB”) in selecting projects to recommend for funding. By statute, the WTB submits recommendations to the New Mexico Finance Authority (“NMFA”) for making grants and loans to projects authorized by the Legislature using an annual application process. This year the WTB has \$39,413,943.90 available for awards derived from severance tax bond and Water Trust Fund distribution.

The WTB Policies require that projects supported by a rate-paying constituency be required to take on a loan of between 10% and 40%, as determined by the NMFA using a three-year history to determine the amount of debt a system can support. The WTB Policies also provide that non-rate supported applicants and tribal applicants may substitute an additional cash match in lieu of the minimum loan.

Five projects on this year’s recommended list do not show historic capacity to undertake debt with the minimum 1x coverage required by WTB Policies; however, NMFA’s readiness to proceed procedures will include verification of increased revenues (rate increases) and verification of the budgeted debt payment prior to converting the construction loan to a permanent loan.

- 14. Consideration and Recommendation of Approval of Village of Columbus (Luna County) – NE Channel Phase 1 – WPF-5090.** Columbus NE Channel Phase I – Construction – Recommended funding: WPF 90% grant - \$990,000 and WPF 10% loan - \$110,000 totaling \$1,100,000.
- 15. Consideration and Recommendation for Approval of City of Grants (Cibola County) –1st Street Pond, Pump Station Ph IV – WPF-5095.** 1st Street Pond and Pump Station Phase IV – Construction – Recommended funding: WPF 60% grant - \$960,000 and 40% loan - \$640,000 totaling \$1,600,000.
- 16. Consideration and Recommendation for Approval of City of Grants (Cibola County) -2nd Street Channel Phase 2 - WPF-5096.** 2nd Street Channel Phase II – Construction – Recommended funding: WPF 60% grant - \$720,000 and 40% loan - \$480,000 totaling \$1,200,000.
- 17. Consideration and Recommendation for Approval of Southern Sandoval County AFCA – Tributary A Dam – WPF-5116.** SSCAFCA Tributary A Dam – Design, Construction – Recommended Funding: 100% grant totaling \$535,000.
- 18. Consideration and Recommendation for Approval of Albuquerque Bernalillo County WUA – Phase 5 Advanced Meter Infrastructure – WPF-5103.** Phase 5 Advanced Metering Infrastructure – Construction – Recommended funding: WPF 60% grant - \$1,200,000 and WPF 40% \$800,000 totaling \$2,000,000.
- 19. Consideration and Recommendation for Approval of City of Bloomfield (San Juan County) – Water Reclamation Facility Effluent Reuse - WPF-5120.** Water Reclamation Facility Effluent Reuse Project – Construction – Recommended funding: WPF 90% grant - \$725,850 and WPF 10% loan - \$80,650 totaling \$806,500.
- 20. Consideration and Recommendation for Approval of City of Clovis (Curry County) – Wastewater Reuse Phase 2 - WPF-5085.** Wastewater Reuse Phase 2 – Design, Construction – Recommended funding: WPF 90% grant - \$3,343,815 and WPF 10% loan - \$371,535 totaling \$3,715,350.
- 21. Consideration and Recommendation for Approval of City of Deming (Luna county) – PER Wastewater Facility Reuse System.** PER Wastewater Facility Reuse, Planning – Recommended funding: WPF 10% grant - \$17,500 and 90% loan - \$157,500 totaling \$175,000.
- 22. Consideration and Recommendation for Approval of Los Alamos County – Bayo Booster Effluent Reuse Tank – WPF-5081.** Bayo Booster Effluent Reuse Tank – Construction – Recommended funding: WPF 60% grant - \$540,000 and 40% loan - \$360,000 totaling \$900,000.
- 23. Consideration and Recommendation for Approval Agua Pura MD (Mora County) – Supply Well, Water Distribution Upgrade – WPF-5121.** Water Supply Well, Water Distribution Upgrade – Design, Construction – Recommended funding: WPF 60% grant - \$183,482 and 40% loan - \$122,321 totaling \$305,803.
- 24. Consideration and Recommendation for Approval of Ancones MDWWCA (Rio Arriba County) – Water System Improvements – WPF-5079.** Water System Improvements – Construction – Recommended funding: WPF 90% grant - \$180,000 and WPF 10% loan - \$20,000 totaling \$200,000.

- 25. Consideration and Recommendation for Approval of Cerro Regional MD (Taos County) – Storage, Conveyance & Delivery Project – WPF-5083.** Cerro Water Storage, Conveyance & Delivery Project – Design, Construction – Recommended funding: 85% grant - \$1,973,800 and 15% loan - \$348,270 totaling \$2,321,800.
- 26. Consideration and Recommendation for Approval of Eastern New Mexico WUA (Curry County) – Water Pipeline Conveyance Project – WPF-5093.** ENMWUA Water Conveyance Project – Construction – Recommended funding: WPF 90% grant - \$4,090,905 and WPF 10% loan - \$454,545 totaling \$4,545,450.
- 27. Consideration and Recommendation for Approval of El Creston MDWCA (San Miguel County) – Water System Improvements – WPF-5091.** El Creston MDWCA Water System Improvements – Construction – Recommended funding: WPF 90% grant - \$449,999 and WPF 10% loan - \$50,000 totaling \$499,999.
- 28. Consideration and Recommendation for Approval of Eldorado Area WSD (Santa Fe County) – Santa Fe County Pipeline Extension & BPS – WPF-5113.** Santa Fe County Pipeline Extension and Booster Pump Station – Construction – Recommended funding: WPF 90% grant - \$900,000 and WPF 10% loan - \$100,000 totaling \$1,000,000.
- 29. Consideration and Recommendation for Approval of City of Gallup (McKinley county) – Navajo Gallup Reach 27.11 – WPF-5099.** Navajo Gallup Water Supply Project Reach 27.11 – Construction – Recommended Funding: WPF 60% grant - \$1,800,000 and WPF 40% loan - \$1,200,000 totaling \$3,000,000.
- 30. Consideration and Recommendation for Approval of City of Grants (Cibola County) – Well #3 Rehabilitation – WPF-5086.** City of Grants Well #3 Rehabilitation – Design, Construction – Recommended funding: WPF 60% grant - \$912,000 and WPF 40% loan – \$608,000 totaling \$1,520,000.
- 31. Consideration and Recommendation for Approval of La Cueva MDWCA (San Miguel) – Water Improvement Project – WPF-5098.** La Cueva MDWCA Water System Improvements – Construction – Recommended funding: WPF 90% grant – \$585,000 and WPF 10% loan - \$65,000 totaling \$650,000.
- 32. Consideration and Recommendation for Approval of City of Portales (Roosevelt County) – Wellfield Improvements – WPF-5104.** Portales Wellfield Improvements – Design, Construction – Recommended Funding: WPF 90% grant - \$2,970,000 and WPF 10% loan - \$330,000 totaling \$3,300,000.
- 33. Consideration and Recommendation for Approval of Rio Lucio MDWCA (Taos County) – Radio Read Meters Project – WPF-5108.** Rio Lucio MDWCA Radio Read Meters Project – Design – Recommended funding: WPF 60% grant - \$36,081 and WPF 40% loan - \$24,054 totaling \$60,135.

- 34. Consideration and Recommendation for Approval of Rodarte MDWCA (Taos County) – Water System Improvements – WPF-5110.** Rodarte MDWCA Water System Improvements – Design – Recommended funding: WPF 60% grant - \$81,900 and WPF 40% loan - \$54,600 totaling \$136,500.
- 35. Consideration and Recommendation for Approval of City of Ruidoso Downs (Lincoln County) – Riverside Waterline, Spring Tank Replacement – WPF-5109.** Riverside Waterline and Spring Tank Replacement – Recommended funding: WPF 80% grant - \$1,784,727 and WPF 20% loan - \$446,182 totaling \$2,230,909.
- 36. Consideration and Recommendation for Approval of Sangre de Cristo Regional MDWCA (Guadalupe County) – Supplemental Water Supply Well – WPF-5112.** Supplemental Water Supply Well – Design – Recommended funding: WPF 60% grant - \$73,042 and WPF 40% loan - \$48,694 totaling \$121,736.
- 37. Consideration and Recommendation for Approval of City of Santa Rosa (Guadalupe County) – Center Tank Rehabilitation – WPF-5088.** Center Tank Rehabilitation – Design, Construction – Recommended funding: WPF 90% grant - \$547,568 and WPF 10% loan - \$60,841 totaling \$608,409.
- 38. Consideration and Recommendation for Approval of City of Truth or Consequences (Sierra County) – Booster Station Improvements – WPF-5089.** Booster Station Improvements – Design, Construction – Recommended funding: WPF 60% grant - \$384,688 and WPF 40% loan - \$256,458 totaling \$641,146.
- 39. Consideration and Recommendation for Approval of Union del Llano MD (Taos County) – Water System Improvements – WPF-5118.** Phase II Water System Improvements – Construction – Recommended funding: WPF 85% grant - \$424,999 and WPF 15% loan - \$75,000 totaling \$499,999.
- 40. Consideration and Recommendation for Approval of Claunch-Pinto SWCD (Multi County) – Estancia Basin – WPF-5075.** Estancia Basin Watershed Health, Restoration and Monitoring Project – Design, Surveying and Construction – Recommended Funding: WPF 100% grant totaling \$600,000.
- 41. Consideration and Recommendation for Approval of Claunch-Pinto SWCD (Multi County) – Greater Rio Grande Watershed Alliance – WPF-5097.** Greater Rio Grande Watershed Alliance – Design, surveying and construction – Recommended funding: WPF 100% grant totaling \$600,000.
- 42. Consideration and Recommendation for Approval of San Juan SWCD (San Juan County) – San Juan Watershed Restoration Project 2020 – WPF-5111.** San Juan Watershed Restoration Project 2020 – Construction – Recommended funding: WPF 100% grant totaling \$500,000.

Member Kopelman asked about the net system revenues for agenda items 25 and 31 noting both have dropped. Ms. Russel noted that closings will occur in December with the first payment due when loan is converted from loan to permanent, at which time staff will verify revenues and the budgeted debt payment.

Member Martinez noted that these same questions were asked at the Committee level and although less than ideal, the program structure allows this type of risk to be taken. Ms. Russel said a mid-summer report on Colonias and WTB can be presented to the Board.

Member Suazo moved, seconded by Member Martinez for approval of Consent Agenda items 9 – 42. The motion passed 11 – 0 on a roll call vote.

- 43. Consideration and Recommendation for Approval of Maxwell Municipal School District (Colfax County) – 2020 Ed Tech Notes – PPRF-5249.** The Maxwell Municipal School District (“District”) applied to the PPRF for \$280,000 to purchase education technology equipment including computers, Chromebooks, iPads, monitors, related equipment, servers, software, licensing, and subscription support.

The District does not require voter approval for education technology equipment and related projects when such equipment is purchased through a lease-purchase agreement. The District will enter into a lease-purchase agreement with the NMFA secured by ad valorem property taxes. The NMFA takes title to the equipment for the length of the agreement as a security interest with the District retaining responsibilities of ownership.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payment by the Department of Finance and Administration (“DFA”) should the District default.

The 2019 audit received an unmodified opinion with zero findings.

- 44. Consideration and Recommendation for Approval of Guadalupe County, Newkirk FD – 2020 Fire Facility – PPRF-5250.** Guadalupe County (“County”) on behalf of the Newkirk Fire Department (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for \$282,431 to construct a new fire station.

The Department has an ISO class rating of 9 with 1 main station and receives an annual base distribution of \$39,058. The Department is also contributing \$200,000 toward the purchase of the equipment from a Fire Protection Grant Award.

The 2019 audit received an unmodified opinion with zero findings.

- 45. Consideration and Recommendation for Approval of Rio Arriba County, Ojo Sarco FD – 2020 Equipment Loan – PPRF-5246.** Rio Arriba County (“County”), on behalf of Ojo Sarco Fire Department (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for \$130,000 to purchase of new fire apparatus and the respective equipment.

The Department will pledge State Fire Protection Funds as the revenue source for this loan. The Department has an ISO class rating of 5 with 1 main station and receives an annual base distribution of \$61,667. The Department is contributing \$10,000 toward the purchase.

The 2019 audit received an unmodified opinion with 4 findings none a material weakness nor a significant deficiency.

- 46. Consideration and Recommendation for Approval of Rio Arriba County, Dixon FD – 2020 Equipment Loan – PPRF-5257.** Rio Arriba County (“County”), on behalf of the Dixon Fire

Department (“Department”), applied to the Public Project Revolving Fund (“PPRF”) for 4141,503 to finance the costs associated with the purchase of new fire apparatus and the respective equipment.

The Department has an ISO class rating of 5 with 1 main station and 1 substation receiving an annual base distribution of \$84,279. The Department will pledge State Fire Protection Funds as the revenue source for this loan and is contributing \$200,000 toward the purchase from a Fire Protection Grant Award and \$69,902.25 from accumulated fire protection funds.

Member Suazo moved, seconded by Member Kopelman, for approval of Agenda Items 43 – 46. The motion passed 11 – 0 on a roll call vote.

- 47. Consideration and Recommendation for Revised Approval of Town of Clayton (Union County) – Storage Tank Renovation Project, Scope Change – DW-5025.** The Town of Clayton (“Town”) is requesting to change the scope of the project and increase both the loan amount and DWSRLF principal forgiveness subsidy to improve Clayton’s municipal well 9.

In September 2019, the Town received approval from the Board for \$150,000 to fund the design, construct modifications, and renovate two ground water storage tanks and related appenditures. The approval consisted of a loan of \$37,500 and Drinking Water State Revolving Loan Fund (“DWSRLF”) principal forgiveness subsidy in the amount of \$112,500. The term was twenty years with a coverage ratio of 1.37x (1.20x required) and an interest rate of .25%.

The updated funding package total is \$1,226,379. The new loan amount is \$306,595 with the DWSRLF principal forgiveness subsidy at \$919,784. The new coverage ratio is 1.30xs.

- 48. Consideration and Recommendation for Approval of Eldorado WSD (Santa Fe County) – Pipeline Extension, BPS – DW-5238.** The Eldorado WSD applied to the Drinking Water Revolving Loan Fund for \$1,919,00 for a water project.

The Eldorado Area Water and Sanitation District (the “District”) entered into a Memorandum of Understanding with Santa Fe County regarding regionalization and the mutual use of the County’s water supply specifically that the County will provide water to the District from the Buckman Diversion Dam and that the District will move part of the County’s water through its system to the County’s water customers east of the District.

This project benefits both entities by providing an alternative source of water to the District allowing their wells to recover and prolongs the life of the source aquifers, provides the County access to the District’s existing infrastructure which convey water to its customers thereby reducing the length of transmission lines and overall costs, and provides a source of potable water to County residents in Cañoncito whose supply is contaminated with radionuclides. The MOU stipulates that any cost savings are to be shared between the two parties

Member Suazo moved, seconded by Member Kahl, for approval of Agenda items 47 and 48. The motion passed 11 – 0 on a roll call vote.

- 49. Review of SFY 2021 Intended Use Plan.** New Mexico Environment Department (“NMED”) administers the federally funded Drinking Water program. Federal guidelines require that annually each

state publish an IUP informing the public on the use of federal funds during the fiscal year, including any new requirements of the federal grant. NMED is responsible for publishing the IUP under the Act but requires that NMFA partner in the publishing of the document. As the grantee, the NMFA applies for the Federal Fiscal Year 2020 capitalization grant, which requires NMFA's borrowers to follow various federal regulations. This year the state will provide 14% of mandatory capitalization grant subsidy, plus up to an additional 35% subsidy under the Disadvantaged Community Program. NMFA offers "subsidy" as principal forgiveness.

The Draft IUP will be posted on the NMED and NMFA websites for a 30-day public review and comment period, following the NMFA Board meeting on May 28, 2020. Comments received are included in the final document sent to EPA Region 6 for approval.

50. Consideration and Recommendation for Approval of Juan Tabo Hills Estates Public Improvement District (Bernalillo County) – Series 2020 Special Assessment Revenue Bonds – PPRF-5208. The Juan Tabo Hills Estates Public Improvement District ("District") applied to the Public Project Revolving Fund ("PPRF") for \$10,455,000 to acquire certain public improvements set forth in the Districts' general plan.

The improvements include off site traffic control and flood control improvements and on-site road, sanitary sewer, water, and drainage improvements, all currently owned by a private developer. The District, located in the Southwest Heights area of Albuquerque and comprised of 330 residential lots, was legally formed and has been in existence since October 25, 2017.

The District imposed the special levy for the first time this current fiscal year (FY 2020) at the maximum annual special levy rate allowed per lot. The maximum annual special levy imposed in FY 2020, and in future subsequent years, totals \$652,100. Non-debt service expenses to be covered from the special levy include Bernalillo County's 2% cost for billing and collecting the special assessment (~\$13,000) and the District's administrative expenses, which are estimated to be around \$60,000, leaving a net special assessment amount of \$578,957 available for debt service. The District's special levy is on a co-equal lien (parity position) with State and local property tax. The District has been planning on a conservative 5% on delinquent rate to occur on special levy payments.

The District is looking to maximize proceeds through the sale/pricing of the debt. At current interest rates, the District would be able to issue 7.7% more in par bonds than what is being represented in par amount of this proposal. Per the PPRF Loan Management Policy, the maximization of proceeds will be limited to no more than a 10% above the paramount represented here while still adhering to the minimum 1.10x debt service coverage and other Board approval requirements. The District is also trying to obtain a surety policy in lieu of having to fund a traditional debt service reserve fund. If successful, the proceed amounts previously needed to fund the debt service reserve fund would be available as additional improvement acquisition proceeds.

The PPRF Loan Management policy does not specify a minimum Debt Service Coverage Requirement ("DSCR") or Additional Bonds Test ("ABT") for special levy revenue loans. There is, however, a required 1.0xs DSCR / 100% ABT requirement on General Obligation Bond credits and a required 1.25xs DSCR / 125% ABT requirement for Mil Levy credits. Staff feels that this special levy credit functions in the middle of these two credits.

Due to State Audit Rules, the District has not been required to furnish an external financial audit since its revenue has not historically exceeded the minimum \$10,000 threshold. Fiscal Year 2020 will be the District's first audit.

51. Consideration and Recommendation for Approval of Sandoval County – Infrastructure GRT Refunding – PPRF-5251. Sandoval County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,560,000 to refund its Series 2010A Infrastructure GRT Bond for economic savings purposes.

The Series 2010A bond was originated in May 2010 and issued to refund a 2008 Series in the amount of \$2,650,000. Under current market conditions, refunding is expected to achieve actual savings of approximately \$155,960 through maturity, which represents a net present savings of more than 10% over the life of the refunding loan. The County will pledge its first and second increments of Infrastructure GRT towards repayment of the loan.

The 2019 audit received an unmodified opinion with 1 finding neither a material weakness nor a significant deficiency. The County submitted a corrective action plan.

52. Consideration and Recommendation for Approval of City of Clovis (Curry County) – Series 2020 Refunding – PPRF-5253. The City of Clovis (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$4,290,000 to refund its Series 2010 bond.

The Series 2010 Bond closed on August 19, 2010 with a par amount of \$7,000,000 to upgrade the sanitary sewers and treatment plant. Under current market conditions, the refunding is expected to achieve actual savings of approximately \$301,410 through maturity, which represents net present value savings of more than 7.30% over the life of the loan. The City will pledge its distribution of the State Shared GRT towards repayment of the loan.

The City was issued an Aa3 rating on its GRT by Moody's in March 2018, therefore no debt service reserve is required. However, the City has agreed to fund a Springing Reserve should the credit be downgraded to the point that it would meet the NMFA policy for a debt service reserve fund.

The 2019 audit received an unmodified opinion with 2 findings including a repeat material weakness. A corrective action plan was submitted.

53. Consideration and Recommendation for Approval of City of Clovis (Curry County) – Series 2020 Refunding – PPRF-5254. The City of Clovis (“City”) has applied to the Public Project Revolving Fund (“PPRF”) for \$4,390,000 for an advanced refunding of its Series 2011 bonds.

These Bonds are NMFA-issued bonds under PPRF-2603A (tax exempt) & PPRF-2603B (taxable). This transaction will be treated as an advanced refunding as the call date for these bonds is not until July 22, 2021. Under the current Federal Tax Laws, if the refunding is treated as a taxable loan, advanced refunding is allowed.

The Series 2011 Bonds closed on July 22, 2011 with a combined par amount of \$6,430,000. The City requested the refunding of its Series 1999 Gross Receipt Tax Bonds which represented the tax-exempt portion for proceeds to make improvements to City facilities, and for the acquisition of a

country club/golf course which represented the taxable portion of the loan. Under current market conditions, the refunding is expected to achieve actual savings of approximately \$186,476.79, which represents net present value savings of more than 4.65% over the life of the loan. The City has requested that the term of the loan be extended by one year. The City will pledge its distribution of the State Shared GRT towards repayment of the loan.

The City requests that if Phase 4 of the relief and recovery package (Stimulus/CARES Act) under consideration in Washington D.C., which includes advanced refunding of tax-exempt bonds, be enacted prior to the closing of this loan, then that portion of this refunding that represents the tax-exempt structure in the 2011 bonds be allowed to close as a tax-exempt advanced refunding, saving the City additional revenue.

The 2019 audit received an unmodified opinion with 2 findings including a repeat material weakness. The City provided a corrective action plan.

54. Consideration and Recommendation for Approval of City of Deming (Luna County) – 2020 Infrastructure Loan – PPRF-5255. The City of Deming (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$5,358,061 to purchase a building to be used for future City operations to house the administrative offices, and for infrastructure improvements at its proposed container/incubator development center.

The building’s purchase price is \$1,800,000 with the City selling portions back to a developer for future retail space. The City anticipates utilizing approximately 35,000 sq. ft. for future expansion of City services. The City will pledge its 3/8ths distribution of the Hold Harmless GRT (0.375%) towards the loan.

The 2019 audit received an unmodified opinion with no findings.

55. Consideration and Recommendation for Approval of Moriarty Edgewood School District (Torrance County) – Series 2020 General Obligation Bond – PPRF-5243. The Moriarty Edgewood School District (“District”) applied to the Public Project Revolving Fund for \$4,000,000 for various school projects and improvements.

The District will issue General Obligation Bonds in the amount of \$4,000,000 which NMFA will purchase with the PPRF.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payment by the Department of Finance and Administration (“DFA”) should the District default.

The 2019 audit received an unmodified opinion with 2 findings neither a material weakness nor a significant deficiency. The District provided a corrective action plan.

56. Consideration and Recommendation for Approval of Tucumcari School District (Quay County) – Series 2020 General Obligation Bond – PPRF-5245. The Tucumcari Public School District No. 1 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$3,000,000 for school improvements

In February 2020 the District received voter approval of \$3,000,000 for school infrastructure valid for 4 years. The District will issue General Obligation Bonds for \$3,000,000 which NMFA will purchase with the PPRF.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payment by the Department of Finance and Administration (“DFA”) should the District default.

The 2019 audit received an unmodified opinion with 4 findings none a significant deficiency nor a material weakness.

57. Consideration and Recommendation for Approval of Fort Sumner Municipal School District (De Baca County) – Series 2020 General Obligation Bond – PPRF-5247. The Fort Sumner Municipal School District applied to the Public Project Revolving Fund (“PPRF”) for \$1,000,000 for school improvements.

On February 6th, 2018 the District received voter approval to issue bonds in the amount of \$1,900,000 valid for 4 years. The District will issue General Obligation Bonds for \$1,000,000 which the NMFA will purchase with the PPRF.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payment by the Department of Finance and Administration (“DFA”) should the District default.

The 2019 audit received an unmodified opinion with 4 findings including 2 significant deficiencies. The District provided a corrective action plan.

58. Consideration and Recommendation for Approval of Hondo Municipal School District (Lincoln County) – Series 2020 General Obligation Bond – PPRF-5134. The Hondo Valley Public School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$737,500 for school improvements.

On November 5th, 2019, the District received voter approval to issue bonds in the amount of \$1,000,000 for a water tank, HVAC system and cost of issuance valid for 4 years. The District will issue General Obligation Bonds for \$737,500 which the NMFA will purchase with the PPRF. The District will receive 2% disadvantaged interest rate determined at closing

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payment by the Department of Finance and Administration (“DFA”) should the District default.

The 2019 audit received an unmodified opinion with 11 findings including 2 material weaknesses and 4 significant deficiencies of which 2 are prior year findings. The District submitted a corrective action plan.

59. Consideration and Recommendation for Approval of Grants-Cibola County School District – Series 2020 General Obligation Bond – PPRF-5215. The Grants-Cibola School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$4,000,000 for various school improvements.

The District received voter approval in November 2019 to issue bonds in the amount of \$10,000,000 for projects identified on the District Facility Master Plan valid for 4 years. The District will issue General Obligation Bonds in the amount of \$5,000,000 which NMFA will purchase with the PPRF.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payment by the Department of Finance and Administration (“DFA”) should the District default.

The 2019 Audit had 22 findings including 2 repeat material weaknesses and 1 new material weakness. A corrective action plan was provided.

Discussion ensued on the 22 audit findings. Mr. Steve Maldonado, Chief Financial Officer, said significant improvements have been made with consultants brought in to implement internal controls. Member Kopelman requested updates to the Public Lending committee and the full Board in 6 – 9 months.

60. Consideration and Recommendation for Approval of ENMU, Ruidoso (Lincoln County) – Series 2020 General Obligation Bond – PPRF-5248. The Board of Regents of Eastern New Mexico University (“University”) has applied to the Public Project Revolving Fund (“PPRF”) for \$3,000,000 to improve ENMU’s Ruidoso Campus (“Ruidoso”).

On November 5, 2019, Ruidoso received voter approval for \$3,000,000 for Phase Two of their Nexus Project valid for 4 years. The University will issue General Obligation Bonds for \$3,000,000 which NMFA will purchase with the PPRF. The Ruidoso Campus is considered a disadvantaged entity and will receive a 2% disadvantaged interest rate determined at closing.

The 2019 audit received an unmodified opinion with 4 findings none a material weakness nor a significant deficiency.

61. Consideration and Recommendation for Approval of City of Grants (Cibola County) – Series 2020 General Obligation Bond – PPRF-5252. The City of Grants (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,500,000 for improvements to their water and wastewater system.

In March 2020, the City received voter approval for GO bond issuance for \$2,500,000 for water and wastewater capital improvements valid for 4 years. The City will issue General Obligation (“GO”) Bonds for \$2,500,000 which NMFA will purchase with the PPRF.

The 2019 audit received an unmodified opinion with 4 findings including a repeat material weakness. The City provided a corrective action plan.

Member Suazo moved, seconded by Member Nathanson-Juris for approval of agenda items 50 – 61. The motion passed 10 – 0 on a roll call vote with Member Forte absent for the vote.

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.*)

62. Update on Activities. The Economic Development Committee met on Tuesday, May 19, 2020 with a quorum in attendance. In addition to reviewing the Private Lending Portfolio Report, the members also reviewed final approval of the New Markets Tax Credit financing for McKinley Paper Company, which appears on today's agenda.

63. Consideration and Recommendation for a Final Approval of New Markets Tax Credit ("NMTC") for McKinley Paper Company – NMTC-5067. McKinley Paper Company ("MPC") is requesting approval of an up to 90 days extension to complete documentation for a New Markets Tax Credit ("NMTC") transaction.

The \$10 million financing received preliminary approval by the NMFA Board in October 2019 and a revised approval to modify the collateral in April 2020. The documents for this transaction have been reviewed and approved by the Legal and Compliance Department and outside legal advisors and the transaction is ready to close. The Economic Development Committee reviewed the item and recommends approval as presented.

Member Suazo moved, seconded by Member Clark, for final approval of the NMTC loan for McKinley Paper Company Project NMTC-5067. The motion passed 10 – 0 with Member Forte absent for the vote.

Report from the Finance and Disclosure Committee. *(Committee members are Secretary Debbie Romero, Chair, Mr. A.J. Forte, Secretary Alicia Keyes, Mr. Martin Suazo, and Mr. David Martinez.)*

64. Update on Activities. Member Romero reported on the Finance and Disclosure Committee meeting of May 20, 2020 via Zoom Teleconference. Staff presented the Review of the Preliminary Official Statement ("POS") for the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2020B and Consideration for Recommendation to the Board of the NMFA FY2021 Budget.

65. Consideration for Approval of the Authorizing and Delegating Resolution for the New Mexico Finance Authority Senior Lien Public Project revolving Fund Revenue Bonds, Series 2020B, Preliminary Official Statement, One Hundred and Third Supplemental Indenture of Trust and Related Documents. Review and Approval of the form of the Preliminary Official Statement relating to the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2020B (the "Series 2020B Bonds")

The Finance Authority is issuing and selling Series 2020B Bonds in an amount to be determined, but not to exceed \$107,000,000. The proceeds will reimburse the Finance Authority for moneys used to originate loans or purchase securities to finance certain projects or reimburse loans previously made to or securities purchased, and pay costs incurred in connection with the issuance of the 2020B bonds. Staff and consultants will continue to prepare for the sale of the Series 2020B bonds now expected to occur in June 2020.

Mr. Dan Opperman, Mr. Michael Zavelle, Mr. Jerry Kyle, and Mr. Brad Patterson reviewed and discussed the proposed transaction and related documents for the Series 2020B bonds. Mr. Kyle reviewed the preliminary official statement and Mr. Patterson presented the authorizing and delegating resolution.

Member Burke moved, seconded by Member Suazo, that the Preliminary Official Statement, in

substantially the form presented be approved for use in the marketing and sale of the Series 2020B Bonds as contained in the Authorizing and Delegating Resolution. The motion passed 10 – 0 with Member Forte absent for the vote.

66. Consideration for Approval of FY2021 PPRF, NMDOT and Standalone Bond Underwriter Pool and Underwriter Takedown Schedules. Staff recommends Board approval of the RPF results and the FY2021 PPRF and Standalone Board Underwriter Pool from July 1, 2020 to June 30, 2021 per the chart of underwriter assignments and FY 2021 underwriter takedown commitments as detailed in the RFP proposals

NMFA issued an RFP on April 2, 2020 to select six underwriters to be eligible senior managers for the FY 2021 PPRF, NMDOT and Standalone Bond Underwriting Pool and to select up to two underwriters to be alternative co-managers should members of the senior pool have a conflict and not be able to serve as a co-manager for a bond issue. Six individuals scored the RFP with the scoring completed on May 14, 2020.

The six underwriters designated to be eligible senior managers, in order, are: RBC Capital Markets, Bank of America Securities, J.P. Morgan Securities, Morgan Stanley, Wells Fargo Securities and Stifel Nicolaus & Co. Piper Sandler is designated as the one alternate co-manager having scored in the seventh position. No other proposals for co-manager were received, so the other alternate co-manager slot was not filled. Ranking and absolute point scoring produced consistent results.

Staff recommends that the Board approve: 1) the RFP results to form the FY2021 PPRF, NMDOT and Standalone Bond Underwriter Pool for the period July 1, 2020 to June 30, 2021 per the following chart of underwriter assignments; and 2) FY2021 not to exceed underwriter takedown commitments. NMFA reserves the right to adjust underwriter takedowns based on market conditions but accepts that takedowns will be no less than those proposed.

Member Suazo moved, seconded by Member Kopelman, to approve results of the RFP and that the FY2021 PPRF and Standalone Board Underwriter Pool proceed from July 1, 2020 to June 30, 2021 per the chart of underwriter assignments and FY2021 underwriter takedown commitments as detailed in the RFP proposals. The motion passed 10 – 0 with Member Forte absent for the vote.

67. Consideration for Approval of the NMFA FY2021 Budget. Mr. Oscar Rodriguez and Mr. Norman Vuylsteke presented, and provided a detailed explanation, of the FY2021 proposed budget. The Committee had previously reviewed the proposed budget framework and assumptions in April and a preliminary budget was reviewed as part of a special meeting of the Finance and Disclosure Committee on May 13, 2020.

Member Martinez moved, seconded by Member Suazo, for approval of the NMFA FY2021 budget. The motion passed 10 – 0 with Member Forte absent for the vote.

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

68. Update on Activities. The Audit Committee met on May 20, 2020. In addition to reviewing the FY 2020 3rd quarter financial statements, the Committee received status reports on a cybersecurity project and on

the EnABLE Implementation advisory work by Deloitte Touche. Staff also reported that Moss Adams has begun he review of the EnABLE Implementation.

- 69. Review of Third Quarter Financial Statements.** Mr. Oscar Rodriguez presented the 3rd quarter financials including the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for the year to date ended March 31, 2020, both consolidated and combining.

Regarding the actual results reflected in the statements, Mr. Rodriguez highlighted the most significant points: Staff continues to improve internal processes to ensure the complete, accurate and timely statement of NMFA's financial position and performance. The target for this fiscal year is to close the month and post the financial statements within 30 calendar days.



70. Next Board Meeting

June 25, 2019 – 9:00 a.m.
Location/Mode TBD
Santa Fe New Mexico

71. Adjournment

Member Suazo moved, seconded by Member Clarke, to adjourn the meeting. The motion passed 10 – 0 with Member Forte absent for the vote.

The meeting adjourned at 12:22 p.m.


Secretary

Date