

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

Minutes of Board Meeting
June 25, 2020
Via Zoom
Santa Fe, New Mexico

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 Dev.
Judi Kahl	Designee for Secretary, NM Environment Dept.
Leslie Nathanson-Juris, Secretary	Santa Fe, NM
Matthew Lovato	Designee for Secretary, NMENRD
Steve Kopelman, Vice Chair	Executive Director, New Mexico Counties

Absent:

Katherine Miller, Chair	Santa Fe County Manager
Martin Abran Suazo	Las Vegas, NM

Finance Authority Staff:

Adam Johnson	Alex Orozoco
Angela Quintana	Anthony Silva
Bryan Otero	Connie Marquez
Dan Opperman	Floyd Trujillo
Frank Ibarra	Joe Durr
Joe Maldonado	John Brooks
Leslie Medina	Lisa Barela
Lynn Taulbee	Maria Gallardo
Mark Lovato	Mary Finney
Marquita Russel	Michael Zavelle
Norman Vuylsteke	Oscar Rodriguez
Rio Trujillo	Ryan Olguin
Shawna Johnson	Susan Rodriguez
Todd Johansen	

Guests:

Anne Browne	Sutin Thayer & Browne
Ashley Martinez	
Craig Dussinger	Bank of America

Erik Harrington
Jeannie Harris
Kaeley Weimerskirch
Lou Wagner
Melissa Manlove
Myra Baird
Neha Chellasamy
Regina Gaysina
Steve Olson
Susen Ellis
Suzanne Bruckner

RBC Capital Markets

RBC Capital Markets
LFC
BOKF
Sutin Thayer & Browne

1. Call to Order and Roll Call. Vice-Chair Steve Kopelman called the meeting to order at 9:00 a.m. A roll call established a quorum.

2. Approval of Agenda. Ms. Marquita Russel requested deletion of Item 54 from the agenda.

Member Forte moved, seconded by Member Nathanson-Juris, to approve the amended agenda. The motion passed 9 – 0 on a roll call vote.

3. Approval of the May 28, 2020 Board Minutes.

Member Kahl moved, seconded by Member Rodriguez, for approval of the May 28, 2020 Board minutes. The motion passed 9 – 0 on a roll call vote.

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

◆ 2020 Special Session

Staff worked with Department of Finance and Administration (“DFA”) and the Legislative Finance Committee (“LFC”) staffs to identify funds from NMFA programs that could be transferred to the General Fund for solvency with \$9.8 million ultimately included in the sweep bill. The LFC included an additional \$3 million transfer from the Primary Care Capital Fund to the General Fund leaving an unobligated balance of \$400 thousand. This transfer had not been discussed and essentially eliminates the fund for the next several years until loan repayments build up.

Other legislation impacting the NMFA is the Small Business Recovery Act of 2020 (HB4/SB3), a broad state stimulus bill that directs the State Investment Council to transfer approximately \$450 million of Severance Tax Permanent Funds into two newly created programs to be administered by the NMFA. The Small Business Recovery Loan Fund provides unsecured loans of up to \$75,000 to small businesses and non-profits that have suffered at least a 30% decline in revenues in April and May. The legislation calls for NMFA to work with banks, credit unions and CDFIs to distribute the funds, which could total as much as \$400 million. The second program serves municipalities and counties that have suffered revenue losses and directs NMFA to make loans secured by receipt of future gross receipts taxes.

◆ 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. Since last meeting, no public borrowers have requested any modifications to their loans.

Member Kopelman noted he is not seeing a drop on property tax payments and will share the information with the Board. Ms. Russel said staff is seeing more applications from school districts. Member Nathanson-Juris asked how NMFA would be communicating with communities. Ms. Russel noted staff has identified a communications plan which will potentially include webinars, a new web site, and a combination of activities for banks, credit unions, and businesses, to help with the application process.

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

5. **Update on Activities.** The Public Lending Committee met on June 17, 2020. Present via Zoom teleconference were Leandro Cordova, who chaired the meeting, Judi Kahl, and David Martinez. Staff presented an update on Outreach, Credit Monitoring, and Risk Analysis, reviewed 6 planning grant applications, 1 Drinking Water application, 16 PPRF applications and 27 Colonias projects. Items 6 – 42 are presented as Consent Agenda items for approval with 1 motion.
6. **Consideration and Recommendation for approval of Village of Columbus (Doña Ana County) Wastewater Asset Management Plan – PG-5280.** The Village of Columbus applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a Wastewater Asset Management Plan (“AMP”) that will itemize and identify the current condition of all wastewater assets.
7. **Consideration and Recommendation for Approval of La Asociacion de Agua de Los Brazos (Rio Arriba County) – Asset Management Plan – PG-5283.** La Asociacion de Agua de Los Brazos applied to the Local Government Planning Fund (“LGPF”) for \$50,000 is seeking funding for an Asset Management Plan that would include Los Brazos as well as Los Ojos MDWCA.
8. **Consideration and Recommendation for Approval of City of Anthony ((Doña Ana County) – Asset Management Plan – PG-5284.** The City of Anthony (“City”) is applying to the Local Government Planning Fund (“LGPF”) for \$37,500 to fund an Asset Management Plan that will collect and identify information about the transportation assets, management strategies, long-term expenditure forecasts, and business management processes.
9. **Consideration and Recommendation for Approval of Town of Carrizozo (Lincoln County) – Water Master Plan – PG-5285.** The Town of Carrizozo (“Town”) is applying to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a Water Master Plan which will assist in identifying future water system supply needs.
10. **Consideration and Recommendation for approval of Village of Pecos (San Miguel County) – Preliminary Engineering Report – PG-5286.** The Village of Pecos (“Village”) is applying to the Local Government Planning Fund (“LGPF”) for \$37,500 to fund a preliminary engineering report to for replacing its aging water and wastewater infrastructure.
11. **2020 Funding Determination Memo to NMFA, Overview of CIF Funding.** Approval of grants and loans to 27 applicants recommended by the Colonias Infrastructure Board (“CIB”) from the 2020 application cycle.

By statute, the CIB recommends grants and loans using an annual application process to determine which projects to recommend to the NMFA for approval. For 2020 the CIB has \$19,900,000 available from Severance Tax Bond distributions and \$132,500 of rescinded funds from a previous award totaling \$20,032,500 available. The CIF Policies require that each funding package contain a loan component equal to 10% of the awarded amount with the remainder delivered as a grant. The Policies also require a match component. Some projects are requesting an additional loan in lieu of the required match, which is also allowable by policy. All loans are structured as construction loans, which allows up to 24 months for the project to be completed prior to the first principal payment coming due.

- 12. Consideration and Recommendation for Approval of Chamberino Mutual Domestic Water Consumers and Sewer Association, Net System Revenue (Doña Ana County) – Water System Improvements – CIF-5160.** Construction – Recommended funding: CIF 90% grant - \$1,214,100 and CIF 10% loan - \$134,900 totaling \$1,349,000.
- 13. Consideration and Recommendation for approval of Cider Mill Farms MDWCA, Net System Revenue (Otero County) – West Cider Mill Farm Road Reconstruction – CIF 5161.** Construction – Recommended funding: CIF 90% grant - \$202,500 and CIF 10% loan - \$22,500 totaling \$294,930.
- 14. Consideration and Recommendation for Approval of Doña Ana County, County GRT– Chaparral Ph 2C – CIF-5165.** Design, Construct – Recommended funding: CIF 90% grant - \$1,167,012 and CIF 10% loan - \$129,668 totaling \$1,296,680.
- 15. Consideration and Recommendation for Approval of Doña Ana County, County GRT – South Central Wastewater Collection – CIF-5166.** Design, Construct – Recommended funding: CIF 90% grant - \$2,290,950 and CIF 10% loan - \$254,550 totaling \$2,545,500.
- 16. Consideration and Recommendation for Approval of Doña Ana County, County GRT – Chaparral Phase 2C House Connections– CIF-5167.** Design, Construct – Recommended funding: CIF 90% grant - \$508,500 and CIF 10% loan - \$56,500 totaling \$565,000.
- 17. Consideration and Recommendation for Approval of Doña Ana MDWCA, Net System Revenue (Doña Ana County)– West Mesa Water System Rehab and Expansion – CIF-5168.** Plan, Design – Recommended funding: CIF 90% grant - \$84,180 and CIF 10% loan - \$9,353 totaling \$93,533.
- 18. Consideration and Recommendation for Approval of Garfield Mutual Domestic Water Consumers & Mutual Sewage Works Association, Net System Revenue (Dona Ana County) – Well Improvement Project – CIF-5169.** Design, Construction – Recommended funding: CIF 90% grant - \$591,546 and CIF 10% loan - \$65,727 totaling \$657,273.
- 19. Consideration and Recommendation for Approval of Grant County, County GRT – Indian Hills Sewer Extension – CIF-5170.** Plan – Recommended funding: CIF 90% grant - \$32,766 and CIF 10% loan - \$3,641 totaling \$36,407.
- 20. Consideration and Recommendation for Approval of Grant County, County GRT – Truck Bypass Road – CIF-5172.** Design – Recommended funding: CIF 90% grant – \$270,000 and CIF 10% loan - \$30,000 totaling \$300,000.

21. **Consideration and Recommendation for Approval of Grant County, County GRT – Little Walnut Road – CIF-5173.** Design – Recommended funding: CIF 90% grant - \$244,350 and CIF 10% loan - \$27,150 totaling \$271,500.
22. **Consideration and Recommendation for Approval of Grant County, County GRT – Ridge Road Project – CIF-5175.** Design – Recommended funding: CIF 90% grant - \$180,000 and CIF 10% loan - \$20,000 totaling \$200,000.
23. **Consideration and Recommendation for approval Village of Hatch, MGRT (Doña Ana County) – Rodey and Chile Capital Lane Lift Station – CIF-5176.** Plan, Design, Construct – Recommended funding: CIF 90% grant - \$648,000 and CIF 10% loan - \$72,000 totaling \$720,000.
24. **Consideration and Recommendation for Approval of Village of Hope, Net System Revenue (Eddy County) – Water System Improvements – CIF-5177.** Design, Construction – Recommended funding: CIF 90% grant - \$776,586 and CIF 10% loan - \$86,287 totaling \$862,873.
25. **Consideration and Recommendation for Approval of Town of Hurley, Net System Revenue – (Grant County) Street & Drainage Improvements – CIF-5178.** Construction – Recommended funding: CIF 90% grant - \$515,700 and CIF 10% loan - \$57,300 totaling \$573,000.
26. **Consideration and Recommendation for Approval of City of Lordsburg, Net System Revenue (Hidalgo County) – Water Improvements – CIF-5180.** Design – Recommended funding: CIF 90% grant - \$212,400 and CIF 10% loan - \$23,600 totaling \$236,000.
27. **Consideration and Recommendation for Approval of City of Lordsburg, Net System Revenue (Hidalgo County) – Waterline Replacement Project Ph. II – CIF-5181.** Design – Recommended funding: CIF 90% grant - \$250,200 and CIF 10% loan - \$27,800 totaling \$278,000.
28. **Consideration and Recommendation for Approval of Malaga Mutual Domestic Water Consumers & Sewage Works Association, Net System Revenue (Eddy County) Water System Improvements – CIF-5183.** Design, Construct – Recommended funding: CIF 90% grant - \$759,767 and CIF 10% loan - \$84,419 totaling \$844,186.
29. **Consideration and Recommendation for Approval of City of Ruidoso Downs (Lincoln County) – Eastward Distribution System, MIGRT – CIF-5185.** Design, Construct – Recommended funding: CIF 90% grant - \$1,381,950 and CIF 10% loan - \$153,550 totaling \$1,535,500.
30. **Consideration and Recommendation for Approval of San Antonio Mutual Domestic Water Consumers Association, Net System Revenue (Socorro County) – Water System Improvements – CIF-5186.** Design, Construct - Recommended funding: CIF 80% grant - \$513,422 and CIF 20% loan - \$128,355 totaling \$641,777.
31. **Consideration and Recommendation for Approval of Village of Santa Clara, MGRT (Grant County) – Belim St. Caddel Crossing Water System – CIF-5187.** Design, Construct – Recommended funding: CIF 80% grant - \$828,800 and CIF 20% loan - \$207,200 totaling \$1,036,000.

- 32. Consideration and Recommendation for Approval of Town of Silver City, MGRT (Grant County) – Chloride Flats Water Storage Tank Renovations – CIF-5188.** Construction – Recommended funding: CIF 90% grant - \$811,634 and CIF 10% loan - \$90,182 totaling \$901,815.
- 33. Consideration and Recommendation for Approval of Town of Silver City, MGRT (Grant County) – Ridge Road Street & Drainage Improvements II – CIF-5189.** Construction – Recommended funding: CIF 80% grant - \$1,302,880 and CIF 20% loan - \$325,720 totaling \$1,628,600.
- 34. Consideration and Recommendation for Approval of Southwest Solid Waste Authority, Net System Revenue (Grant County) – Cell 9 Plan, Design, Construction – CIF-5190.** Plan, Design – Recommended funding: CIF 90% grant - \$61,200 and CIF 10% loan - \$6,800 totaling \$68,000.
- 35. Consideration and Recommendation for Approval of City of Sunland Park, MGRT (Doña Ana County) – Anapra Phase II – CIF-5191.** Design, Construct – Recommended funding: CIF 90% grant - \$1,088,675 and CIF 10% grant - \$120,964 totaling \$1,209,639.
- 36. Consideration and Recommendation for Approval of City of Truth or Consequences, MGRT (Sierra County) – Roads/Drainage Improvements Main Street – CIF-5192.** Construction – Recommended funding: CIF 90% grant - \$900,000 and CIF 10% loan - \$100,000 totaling \$1,000,000.
- 37. Consideration and Recommendation for Approval of Vista del Rey Estates MDWCA, Net System Revenue – (Doña Ana County) Water System Improvements – CIF-5193.** Construction – Recommended funding: CIF 90% grant - \$636,495 and CIF 10% loan - \$70,722 totaling \$707,217.
- 38. Consideration and Recommendation for Approval of Village of Williamsburg, MGRT (Sierra County) – Mona and Doris Avenue Roadway, Drainage and Utility - CIF-5194.** Design, Construct – Recommended funding: CIF 90% grant - \$225,000 and CIF 10% loan - \$25,000 totaling \$250,000.
- 39. Consideration and Recommendation for Approval of Grady Municipal Schools, Ad Valorem Property Tax (Chaves County – Series 2020 General Obligation Bond – PPRF-5278.** The Grady Municipal School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$200,000 school improvements.

On November 6, 2019, the District received voter approval of \$400,000 for school infrastructure valid for 4 years. The District will issue General Obligation Bonds for \$200,000 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 3 findings none a significant deficiency nor material weakness.

- 40. Consideration and Recommendation for approval of Des Moines Municipal Schools, Ad Valorem Property Tax (Union County) – 2020 Ed Tech Note – PPRF-5272.** The Des Moines Municipal

School District No. 22 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$175,000 to finance the purchase of Education Technology Equipment for District-wide projects.

The New Mexico State Constitution does not require the District to receive 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 with the NMFA taking title to the equipment for the length of the agreement in the nature of a security interest with the District maintaining ownership responsibilities.

The 2019 audit received an unmodified opinion with no findings.

- 41. Consideration and Recommendation for Approval of Colfax County, Philmont FD, Fire Protection Funds – 2020 Fire Equipment Loan– PPRF-5274.** Colfax County (“County”) on behalf of the Philmont Fire District #1 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$300,000 to finance the costs associated with the purchase of new fire apparatus and the respective equipment.

The District will pledge State Fire Protection Funds as the revenue source for the loan. The District has an ISO class rating of 3 with 1 main station and 1 substation receiving an annual base distribution of \$97,643. The District is also contributing \$200,000 toward the purchase from a Fire Protection Grant Award and \$110,000 from accumulated fire protection funds

The 2019 audit received an unmodified opinion with 3 findings, none a significant deficiency nor a material weakness.

- 42. Consideration and Recommendation for Approval of City of Socorro, Net System Revenues of Joint Utility Fund (Socorro County) – 2020 Equipment Loan – PPRF-5242.** The City of Socorro (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$250,000 to purchase a new Vactor Truck for cleaning out sewer lines and hydro excavation.

The City will pledge the Net System Revenue of the Joint Enterprise Fund as revenue towards the loan. The City also received a \$50,000 grant towards the purchase of the equipment

The 2019 audit received an unmodified opinion with zero findings.

Member Forte moved, seconded by Member Kahl, for approval of Consent Agenda items 6 – 42. The motion passed 9 – 0 on a roll call vote.

- 43. Consideration and Recommendation for Approval of City of Rio Rancho, Net Systems Revenue of the Water/Wastewater Utilities Fund (Sandoval County) – Redrill/Replace Housing & Equipping Well 9 – DW-55270.** The City of Rio Rancho applied to the Drinking Water Revolving Loan Fund for \$15, 150,000 for a water project.

Replacement of Well 9 will require drilling a new well within 150 feet of the existing well in order to be considered a replacement well under the existing permit. It is anticipated that arsenic treatment will be required based on other wells in the City’s water system.

The project qualifies for \$468,861 in principal forgiveness.

Member Kahl moved, seconded by Member Martinez, for approval of City of Rio Rancho Project DW-5270. The motion passed 9 – 0 on a roll call vote.

44. Update on Credit Monitoring, Outreach and Risk Analysis. Mr. Adam Johnson, Chief of Program Operations, discussed the NMFA Credit Underwriting, Monitoring and Risk Assessment.

During the month of May, NMFA staff did not receive any requests to restructure or utilize debt service reserve funds in the PPRF and continues conversations with counties and municipalities about expected budget shortfalls. Staff is conducting analysis on specific counties and municipalities, but for the moment the June disbursement was less negatively affected than anticipated.

In addition to monitoring GRT data, staff has completed the process of updating the PPRF’s net system revenue (NSR) and lodgers’ tax backed loans. These analyses mark a significant milestone in establishing ongoing credit monitoring. In the past, NMFA updates analyses only when a new loan or grant was to be proposed. With this current data, staff can proactively engage borrowers who are at risk of breaching covenants and get ahead of any trouble they may have making their debt service payments.

NMFA’s Regional Finance Managers and Commercial Lending staff is pursuing different approaches to maintain visibility and understand clients’ needs. As anticipated, the June agenda does show continued activity of General Obligation pledges. Staff conducted additional analysis of the historical assessed valuations across the State of New Mexico.

From a credit perspective the General Obligation pledges are likely to continue as a stable source to fund capital infrastructure. The current recession’s impact on property tax is still unknown, however any decline will only impact the amount collected for government operations. This is due to the process of setting the debt levy to cover all debt service after accounting for collection rates.

Items 45 – 53 and 55 – 56 will be approved with 1 motion.

45. Consideration and Recommendation for Approval of Tularosa Municipal School District, Ad Valorem Property Tax (Otero County) – Series 2020 General Obligation Bond – PPRF-5266. The Tularosa Municipal School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,000,000 to finance school improvements.

On November 5, 2019, the District received voter approval of \$3,000,000 for school infrastructure valid for 4 years. The District will issue General Obligation Bonds for \$1,000,000 which the NMFA will purchase with the PPRF. Considered a disadvantaged entity the District will receive a 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. *(Applies to the school districts that follow on the agenda.)*

The 2019 audit received an unmodified opinion with 1 finding, a significant deficiency. The District provided a corrective action plan.

- 46. Consideration and Recommendation for Approval of Dexter Consolidated School District, Ad Valorem Property Tax (Chaves County) – Series 2020 General Obligation Bond – PPRF-5271.** The Dexter Consolidated School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,100,000 to finance school improvements.

In November 2019, the District received voter approval of \$2,500,000 for school improvements valid for 4 years. The District will issue General Obligation Bonds for \$1,100,000 which NMFA will purchase with the PPRF.

The 2019 audit received an unmodified opinion with 5 findings including 3 significant repeat significant deficiencies. The District submitted a corrective plan.

- 47. Consideration and Recommendation for Approval of Loving Municipal School District, Ad Valorem Property Tax (Eddy County) – Series 2020 General Obligation Bond - PPRF-5279.** The Loving Municipal School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$3,000,000 to finance school improvements.

On March 10, 2020, the District received voter approval of \$6,000,000 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 2019 audit received an unmodified opinion with 5 findings including a significant deficiency. The District provided a corrective action plan.

- 48. Consideration and Recommendation for Approval of Socorro Consolidated Schools, Ad Valorem Property Tax (Socorro County) – Series 2020 General Obligation Bonds – PPRF-5276.** The Socorro Consolidated School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,000,000 for school improvements.

In February 2017, the District received voter approval of \$5,000,000 for school infrastructure valid for 4 years. The District will issue General Obligation Bonds in the amount of \$1,000,000 which NMFA will purchase with the PPRF. The District is considered a disadvantaged entity and will receive a 0% disadvantaged interest rate for 10% of the loan amount

The 2019 audit received an unmodified opinion with 3 findings none a significant deficiency nor a material weakness.

- 49. Consideration and Recommendation for Approval of Angel Fire, Ad Valorem Property Tax (Colfax County) – Series 2020 General Obligation Bond – PPRF-5273.** The Village of Angel Fire (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,000,000 for infrastructure.

In November 2019, the Village received voter approval of \$8,000,000 for the purpose of designing, engineering, constructing and otherwise improving roads, related improvements, and the Village's water and wastewater system including purchasing capital equipment for such projects valid for 4 years. The Village will issue General Obligation Bonds for \$2,000,000 which NMFA will purchase with the PPRF.

The 2019 audit received an unmodified opinion with 3 findings neither a significant deficiency nor a material weakness.

50. Consideration and Recommendation for Approval of Village of Corrales, Ad Valorem Property Tax (Sandoval County) – Series 2020 General Obligation Bond – PPRF-5277. The Village of Corrales (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,500,000 for land, buildings, property, vehicles, and equipment for police and fire department infrastructure and public buildings.

In 2018, the Village received voter approval of \$45,000,000; the Village will issue General Obligation Bonds for \$2,500,000 which NMFA will purchase with the PPRF.

The 2019 audit received an unmodified opinion with 7 findings including a repeat significant deficiency. The Village submitted a corrective action plan.

51. Consideration and Recommendation for approval of Raton Public School District, Ad Valorem Property Tax (Colfax County) – Series 2020 General Obligation Bond – PPRF-5269. The Raton Public School District No. 11 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,000,000 for school improvements.

In November 2019, the District received voter approval of \$1,000,000 for district-wide repairs and improvements to existing school buildings, to purchase computer software and hardware, and provide matching funds for capital outlay projects valid for 4 years. The District will issue General Obligation Bonds in the amount of \$1,000,000 which NMFA will purchase with the Public Project Revolving Fund.

The 2019 audit received an unmodified opinion with 12 findings including 2 new material weaknesses and 1 new significant deficiency. The District submitted a corrective action plan.

Member Martinez asked how staff ensures monitoring is consistently applied and requested clarification of the application of policies and underwriting procedures pertaining to entities audit findings. Ms. Russel noted that prior to the last 4 months staff was not in a position to monitor audit risk monitoring activity; however, can now merge activities and risk monitoring and compliance in another group. Secondly, staff is developing procedures on treating a loan post board approval. Ms. Russel noted that a broader policy is one awaiting EnABLE implementation addressing audit issues and post board approval. Members Martinez and Nathanson-Juris supported Ms. Russel’s intent to develop policy.

52. Consideration and Recommendation for Approval of Raton Public School District (Colfax County) – 2020 Ed Tech Note – PPRF-5275. Raton Public Schools District No. 11 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$850,000 to finance the purchase of Education Technology Equipment for District-wide projects.

The District will enter into a lease-purchase agreement with the NMFA secured by ad valorem property taxes with the District retaining all ownership responsibilities and the NMFA holding title to the equipment in the nature of a security interest.

The 2019 audit had 12 findings including 2 new material weaknesses and 1 new significant deficiency.

The District provided a corrective action plan addressing the findings.

- 53. Consideration and Recommendation for Approval of Capitan Municipal School District, Ad Valorem Property Tax (Lincoln County) – 2020 Ed Tech Note – PPRF-5268.** The Capitan Municipal School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,200,000 to finance the purchase of educational technology equipment for District-wide projects.

The District will enter into a lease-purchase agreement with the NMFA secured by ad valorem property taxes. Under the terms of the lease-purchase agreement, the NMFA takes title to the equipment for the length of the agreement in the nature of a security interest with the District retaining all responsibilities of ownership.

The 2019 audit received an unmodified opinion with no findings.

- 54. Consideration and Recommendation for Approval of City of Gallup, State Shared GRT (McKinley County) – 2020 Refunding, Non-NMFA Debt – PPRF-5282.** The City of Gallup (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$8,045,592 to refund the Series 2010A State Shared GRT Bond for economic savings purposes.

The Series 2010A bond, originated in June 2010, was issued for \$11,910,000. Under current market conditions, refunding is expected to achieve actual savings of approximately \$813,197 through maturity, which represents a net present savings of more than 11.3% over the life of the refunding loan.

The 2019 audit received an unmodified opinion with zero findings.

- 55. Consideration and Recommendation for Approval of City of Raton, Net System Revenues (Colfax County) – 2020 Refunding Public Service Co. Series 2009 PPRF Loans – PPRF-5267.** The City of Raton (“City”) on behalf of Raton Public Service Company (“Company”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,995,578 to refund the Series 2009 loans, specifically PPRF-2332 and PPRF-2333, for economic savings purposes.

Both Series 2009 loans closed on October 16, 2009 with PPRF-2332 issued for \$4,619,684 to purchase Wartsila, a natural gas fired generating unit, and the Burro Canyon transmission line for use by the City’s electric utility. PPRF-2333 was issued for \$1,122,725 with the proceeds used for expanding an existing substation owned by the City’s electric utility.

Based on the current market environment, the refunding of both Series 2009 PPRF loans would likely achieve a net present value savings of approximately 19% equating to \$685,000 over the life of the refunding loans. The maturity of the refunding bonds matches the terms of the refunded loans. The City will pledge Net System Revenue of the System of the Company’s utility revenues for the repayment of the loan.

The 2019 City audit received an unmodified opinion with 6 findings while the 2019 Company audit received an unmodified opinion with 2 findings. Both entities provided corrective action plans.

- 56. Consideration and Recommendation for Re-Approval of Hidalgo County, Multiple GRT – 2020 Refunding of NMFA 2010 Loan – PPRF-5202.** Staff recommends approval of the revised loan amount for the Hidalgo County (“County”) refunding loan, PPRF-5202, that was approved for an amount lower than that needed to pay off the existing PPRF loan.

At its April 23, 2020 meeting, the Board approved a refunding request for the County to refund an existing PPRF loan. NMFA staff’s write-up for the refunding request included funds needed for the May 1, 2020 debt service payment, therefore the amount of funds needed for escrow also changed by a small amount. The additional funds needed for payoff total \$50,378. All other terms of the refunding loans will remain as the Board approved in April. The refunding loan is scheduled to close July 24, 2020.

Member Burke moved, seconded by Member Forte, for approval of agenda items 45 – 53 and 55 – 56. The motion passed 9 – 0 on a roll call vote.

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

- 57. Update on Activities.** The Economic Development Committee met on Tuesday, June 16 with a quorum in attendance. In addition to reviewing the Private Lending Portfolio Report, staff presented the 5 Essential Services Working Capital Program applications, a Smart Money Participation request from Enterprise Bank & Trust for Memorial Ventures Investors, and a request to open 29th round of applications for New Markets Tax Credit to use the remaining of \$12 million of allocation.

Staff gave an update on the diversity of applications received for the Essential Services Working Capital Program which prompted staff to escalate its plans with the capitalization of the NMTC Small Loan Pool. The Committee agreed to allow staff to present directly to the Board an NMTC Small Loan Pool Resolution that authorizes staff to begin the capitalization process.

- 58. Consideration and Recommendation for Approval of Well Life ABQ, LLC (Bernalillo County – ES-5293.** Well Life Albuquerque is requesting from the Essential Services Working Capital Program (“ESWCP”) a six-month line of credit (“LOC”) to support its operations during the COVID-19 crisis.

The operations are defined as salaries, rent, inventory, and other operational costs. The LOC will not exceed the amount of \$73,800 and will carry interest-only payments during the six-month period. After six months, the LOC will convert to a permanent term loan on the balance of the LOC. The interest rate on the LOC and permanent term loan will be fixed at 1%. This loan will be a direct obligation of Well Life ABQ. Katherine Devine will guarantee the loan as the owner of Well Life ABQ. NMFA will be getting 1st Lien UCC filing on the membership fees collected by WLA.

The LOC would be set up as a six-month advancing line at 1% fixed for the six-month life of the LOC. At the end of six months, the borrower could request an additional six months if necessary. If there is a remaining balance at the maturity of the LOC, it will convert to a permanent term loan for four years at 1% interest rate with monthly principal and interest payments due.

Member Clarke moved, seconded by Member Nathanson-Juris, for approval of Project ES-5293. The motion passed 9 – 0 on a roll call vote.

59. Consideration and Recommendation of an Approval of Dr. David J. Ortega, DDS, PC (Santa Fe County) – ES-5287. Staff recommends approval of a \$100,000 line of credit using the Essential Services Working Capital Program for Dr. David J. Ortega to support the operations of the dental business.

Dr. David J. Ortega DDS is requesting from the Essential Services Working Capital Program ("ESWCP") for a six-month line of credit ("the LOC") to support its operations during the COVID-19 crisis. The operations are defined as salaries, rent, inventory, and other operational costs. The LOC will not exceed the amount of \$100,000 and will carry interest-only payments during the six-month period. After six months, the LOC will convert to a permanent term loan on the balance of the LOC. The interest rate on the LOC and permanent term loan will be fixed at 1%. This will be a direct obligation of Dr. David J. Ortega, DDS. This loan will carry the unconditional guarantee of Dr. David J. Ortega. NMFA will be getting 1st Lien UCC filing on the account's receivables on the fees for dental services. These fees will include insurance reimbursements, patient co-pays and out-of-pocket revenues.

The LOC will be set up as a six-month advancing line at 1% fixed for the six-month life of the LOC. At the end of six months, the borrower could request an additional six months if necessary. If there is a remaining balance at the maturity of the LOC, it will convert to a permanent term loan for four years at a 1% interest rate with monthly principal and interest payments due.

Member Clarke moved, seconded by Member Martinez, for approval of Project ES-5287. The motion passed 9 – 0 on a roll call vote.

60. Consideration and Recommendation for Consideration and Approval of Rio Grande Hematology & Oncology, LLC (Doña Ana County) – ES-5290. Staff recommends approval of a \$150,000 line of credit using the Essential Services Working Capital Program for Rio Grande Hematology and Oncology to support the operations of the business.

Rio Grande Hematology and Oncology is requesting from the Essential Services Working Capital Program ("ESWCP") a six-month Line of Credit ("The LOC") to support its operations during the COVID-19 crisis. The operations are defined as salaries, rent, inventory and other operational costs. The LOC will not exceed the amount of \$500,000 which will carry interest-only payments during the six-month period. The loan will then convert to a permanent term loan on the balance of the LOC. The interest rate on the LOC and permanent term loan will be fixed at 1%.

This will be a direct obligation of Rio Grande Hematology and Oncology. The loans will carry an unconditional guarantee of Dr. Ramadevi Medavarapu at 60% and Eugene Samuel at 40%.

NMFA will be getting 1st Lien UCC filing on the account's receivables for patient-plan charges. The plan charges are made up of Medicaid, Medicare, Presbyterian, Blue Cross Blue Shield, Molina Healthcare, United Health, Tricare and Western Skies. This will also include any additional insurance providers that make up the patient-plan charges.

The LOC will be set up as a six-month advancing line at 1% fixed for the life of the LOC. At the end of the six-month period, the borrower could request an additional six months if necessary. If there is a

remaining balance at the maturity of the LOC, it will convert to a permanent term loan with a term of four years at 1% with monthly principal and interest payments due.

Member Clarke moved, seconded by Member Nathanson-Juris, for approval of Project ES-5290. The motion passed 9 – 0 on a roll call vote.

- 61. Consideration and Recommendation for Approval of First Choice Community Healthcare Inc. (Bernalillo County) – ES-5288.** Staff recommends approval of a \$900,000 working capital Commercial Term Loan using the Essential Services Working Capital Program for First Choice Community Healthcare Inc., (“First Choice”).

The proposed term loan will improve the cash position of First Choice to help with working capital needs. First Choice is a key part of the healthcare delivery system that cares for thousands of New Mexicans who get healthcare coverage under President Obama's healthcare reform.

This would be a direct obligation of First Choice Community Healthcare Inc. Accounts Receivable: Medicaid, Medicare, 340B, Managed Care (HMO/PPO). Collateral is at 75% of \$2,970,717 as of 12/31/2019. The proposed term loan will be secured by and payable from certain accounts receivable of the First Choice.

The Working Capital Term loan will be set up as a 5-year loan at 1% fixed for the life of the loan. The first 3-months will be interest only to allow First Choice to stabilize its operation. The remainder 60-months will have loan payments made monthly with principal and interest payments due at the first of each month.

Member Clarke moved, seconded by Member Kahl, for approval of Project ES-5288. The motion passed 9 – 0.

- 62. Consideration and Recommendation for Approval of Telshor Family Clinic, LLC (Doña Ana County) – ES-5299.** Staff recommends approval of a \$200,000 line of credit using the Essential Services Working Capital Program for Telshor Family Practice (“TFP”) to support the operations of the business.

Dr. Kanaka Chelliah is requesting from the Essential Services Working Capital Program (“ESWCP”) a six-month line of credit (“LOC”) to support its operations during the COVID-19 crisis. The operations are defined as salaries, rent, inventory, and other operational costs. The LOC will not exceed the amount of \$200,000 and will carry interest-only payments during the six-month period. After six months, the LOC will convert to a permanent term loan on the balance of the LOC. The interest rate on the LOC and permanent term loan will be fixed at 1%.

This will be a direct obligation of Telshor Family Practice. This loan will carry the unconditional guarantee of Dr. Kanaka Chelliah. NMFA will be getting a 1st Lien UCC filing on the accounts receivable on the Medicare, Medicaid and private insurers. These accounts receivables could include insurance reimbursements, patient co-pays and out-of-pocket revenues.

The LOC will be set up as a six-month advancing line at 1% fixed for the six-month life of the LOC. At the end of six months, the borrower could request an additional six months if necessary. If there is a

remaining balance at the maturity of the LOC, it will convert to a permanent term loan for four years at a 1% interest rate with monthly principal and interest payments due.

Member Clark moved, seconded by Member Nathanson-Juris, for approval of Project ES-5299. The motion passed 9 – 0 on a roll call vote.

63. Consideration and Recommendation for Memorial Ventures Investors, LLC (Bernalillo County) – SM-5261. Staff recommends approval of the refinancing of the Memorial Ventures loan with Enterprise Bank & Trust for a 9.82% Smart Money Participation.

Enterprise Bank & Trust ("EB&T") has requested the New Mexico Finance Authority's ("NMFA") 9.82% or \$1.2 million Smart Money participation in the \$12,220,831 refinancing of the loan made to Memorial Ventures Investors, LLC, the owners of Hotel Parq Central ("HPC"). The proposed refinancing is expected to save approximately \$498,000 annually on debt-service payments for Memorial Ventures Investors.

The bank's permanent loan will have a rate based on the 5-year Intercontinental Exchange Rate plus 3% ballooning in five years. EB&T is requiring monthly principal and interest payments based on a 25-year amortization period. The Smart Money Participation will be based on the 5-year treasury rate plus 1.75% with a 25-year amortization to match the terms of EB&T, now estimated at 2.08% subject to change at closing. The first six months of the loan will be interest-only to allow for the hotel to stabilize during the COVID-19 crisis. After that, principal and interest payments will apply for the remainder 54 months of the loan.

This will be a direct obligation of Memorial Ventures Investors, LLC. The loans will carry the personal guarantees of LLC members Marc Bertram and David Oberstein. The loans will be secured with an assignment of the lease between Memorial Ventures Investors, LLC and Hotel Parq Central Management Co., LLC, and a mortgage on the property located at 806 Central Ave, SE Albuquerque, NM 87102. The latest appraisal obtained by the bank valued the property at \$14,300,000. Based on this refinancing, the Loan-To-Value ("LTV") will be 85% which is an allowable value under the Smart Money Loan Policies.

Member Clark moved, seconded by Member Martinez, for approval of Project SM-5261. The motion passed 9 – 0 on a roll call vote.

64. Consideration for Approval of a Resolution to Create and Fund the New Markets Tax Credit Small Loan Pool. The Economic Development Committee and the NMFA recommend approving the the resolution authorizing the use of a portion of the \$40,000,000 allocation awarded in 2018 (the "2018 allocation") under the Federal New Markets Tax Credit Program to Finance New Mexico, LLC.

The Committee agreed to allow staff to present directly to the Board an NMTC Small Loan Pool Resolution that authorizes staff to begin the capitalization process. The resolution approves the use of the suballocation from the 2018 allocation to Finance New Mexico-Investor Series XXXV, LLC of \$8,000,000 for use by Finance New Mexico-Investor Series XXXV, LLC in raising funds through sale of qualified equity investments through the Finance Authority's New Markets Tax Credit Small Loan Pool, authorizes the use of excess deposits held by Finance New Mexico- Service Company, LLC to make leverage loans for the NMFA's New Markets Tax Credit Small Loan Pool, and authorizes and

approves the execution of other documents and the taking of all other actions necessary to the consummation of the transactions contemplated by this resolution.

Member Martinez moved, seconded by Member Burke, to approve the resolution to create and fund the New Markets Tax Credit Small Loan Pool. The motion passed 9 – 0 on a roll call vote.

- 65. Recommendation to Open the 29th Round of Competitive New Markets Tax Credit Applications.** Staff requests approval to open the 29th round of competitive applications for the remaining \$12 million of allocation.

The enrollment period will allow applicants to enroll in the online application system which will be open for at least two weeks followed by the application period which will be open for at least four weeks. The NMFA Board, on behalf of Finance New Mexico, has offered 28 competitive application cycles to date, including several exclusive application rounds for projects located in rural areas.

In May, Finance New Mexico, LLC (“FNM”) received notification of its \$40 million NMTC award from the Calendar Year 2018 application cycle, which allows FNM to invest its allocation in all eligible census tracts within the state, including those in metropolitan and rural counties. This award marks the fifth allocation from the CDFI Fund and brings Finance New Mexico’s total to \$286 million in authorized NMTC allocations. The pending transaction with McKinley Paper will meet the 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.

Member Clark moved, seconded by Member Kahl, to approve opening the 29th round of competitive New Marks Tax Credit Applications. The motion passed 9 – 0 on a roll call vote.

Report from the Finance & Disclosure Committee. (*Committee members are Mr. Martin Suazo, Chair, Secretary Alicia Keyes (Mr. Jon Clark), and Mr. David Martinez.*)

- 66. Update on Activities.** A quorum of the Finance & Disclosure Committee met on June 17, 2020.
- *Budget Performance Report.* Oscar Rodriguez and Norman Vuylsteke presented, for informational purposes only, the budget performance for Year to Date Ended April 30, 2020. Key points of the report included the expectation that operating expenses are expected to be \$0.45 million under budget for the fiscal year. There were no anomalies or concerns to be noted.
 - *Procurement Notifications.* As required by the Finance Authority’s Procurement Policy, staff notified the Committee of two sole source procurements. First a one-year term extension with PFM Financial Advisors (PFM) for PRRF financial advisory services. The term was extended due to the unique familiarity of PFM with Finance Authority bond issues, coupled with the market disruption due to COVID-19 making it impractical to issue an RFP in the current environment. Also, the Finance Authority is finalizing a one-year contract with the Council of Development Finance Agencies (“CDFA”) to provide a comprehensive review of economic development programs offered throughout the State. CDFFA has unique capabilities and experience in providing such services and has previously evaluated capital access relative to the Finance Authority.

Although not required, staff also notified the Committee of a one-year contract extension with Parametrix,

Inc, provider of environmental review services for the Drinking Water State Revolving Loan Fund program. The contract resulted from a competitive procurement process and remains within the four-year term limitation.

67. Report on PPRF 2020B Bond Sale. Mr. Michael Zavelle presented the PPRF 2020B bond sale report.

The PPRF senior lien tax-exempt 2020B series bonds were sold June 17, 2020 in the par amount of \$81,000,000 with \$218.5 million in orders received. Lead manager was Bank of America with Huntington Securities and Morgan Stanley as co-managers. Board Secretary Member Nathanson-Juris served as Board designee for the sale. The bonds will close on June 29, 2020 with the bond proceeds funding infrastructure projects totaling \$97,951,975.

The PPRF 2020B bonds mature in 2041 with an average life of 8.419 years and an effective interest rate on a true interest cost (“TIC”) basis of 1.603%, 71bp less than the 2020A bonds due to the current historically low interest rate environment. The 10-year call is June 1, 2030.

The municipal bond market is functioning with volume at reasonably expected levels but with a much higher proportion of taxable bonds for advanced refunding purposes. However, the differentiation in pricing between top rated issuers like the PPRF and less well rated issuers is still much greater than during more normal times. The 2020B bonds were very well received with every maturity fully subscribed and some maturities more than four times oversubscribed. Final yields were adjusted downward about 3bp almost across the board.

Investors placing orders included several major investors that know the PPRF well. There was one new investor of note – Gannett Welsh a large Separately Managed Account (SMA) investment management firm. GW&K placed total orders of \$37,785,000, an important national endorsement of New Mexico debt issued through the PPRF. Other over \$20 million in total orders were placed by Breckenridge (\$24,000,000) and by Susquehanna (\$23,885,000).

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

68. Update on Activities. A quorum of the Audit Committee met on June 17, 2020. Staff presented the NMFA's balance sheet, income statement and cash flow statement as of April 30, 2020, updates on the Cybersecurity Assessment and EnABLE Implementation Review, and the FY 2020 Audit Work Plan.

69. EXECUTIVE SESSION: Closed Session to Discuss Matters Pertaining to the Disposition of Real Property Pertaining to the Former Tri-County Community Services Property Located in Taos, NM as Permitted by Section 10-15-1(H)(8), NMSA 1978

Chair Kopelman: “I will entertain the motion for the NMFA Board of Directors to go into Executive Session to discuss Matters Subject to the Disposition of Real Property Pertaining to the Former Tri-County Community Services Property Located in Taos, NM as Permitted by Section 10-15-1(H)(8), NMSA 1978.”

Member Kahl moved, seconded by Member Forte, to move into Executive Session to discuss matters subject to the disposition of real property pertaining to the former Tri-County Community Services Property Located in Taos, NM as permitted by Section 10-15-1(H)(8), NMSA 1978. The motion passed 9 – 0 on a roll call vote.

Member Romero moved, seconded by Member Martinez, to return to open session. The motion passed 9 – 0 on a roll call vote.

Chair Kopelman stated “We are now in open meeting. Let the record reflect that no action was taken during the closed meeting and the only things discussed were matters Subject to the Disposition of Real Property Pertaining to the Former Tri-County Community Services Property Located in Taos, NM as Permitted by Section 10-15-1(H)(8), NMSA 1978.”

70. Next Board Meeting

Thursday, July 23, 2020 – 9:00 a.m.
Location/Mode TBD
Santa Fe New Mexico

71. Adjournment

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

The meeting adjourned at 1:00 p.m.

Secretary

Date

Member Kahl moved, seconded by Member Forte, to move into Executive Session to discuss matters subject to the disposition of real property pertaining to the former Tri-County Community Services Property Located in Taos, NM as permitted by Section 10-15-1(H)(8), NMSA 1978. The motion passed 9 – 0 on a roll call vote.

Member Romero moved, seconded by Member Martinez, to return to open session. The motion passed 9 – 0 on a roll call vote.

Chair Kopelman stated “We are now in open meeting. Let the record reflect that no action was taken during the closed meeting and the only things discussed were matters Subject to the Disposition of Real Property Pertaining to the Former Tri-County Community Services Property Located in Taos, NM as Permitted by Section 10-15-1(H)(8), NMSA 1978.”

70. Next Board Meeting

Thursday, July 23, 2020 – 9:00 a.m.
Location/Mode TBD
Santa Fe New Mexico

71. Adjournment

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

The meeting adjourned at 1:00 p.m.

Saskie Nathanson Juris
Secretary

July 24, 2020
Date