

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

Minutes of Board Meeting
July 23, 2020
Via Zoom
Santa Fe, New Mexico

Present:

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

Finance Authority Staff:

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

Guests:

| | |
|-----------------|-------------------------------|
| Andrew Tulchin | Build with Robots |
| Anne Browne | Sutin Thayer & Browne |
| Craig Dussinger | Bank of America Merrill Lynch |
| David Buchholtz | Rodey Law Firm |
| Dawn Iglesias | LFC |
| Deanne Woodring | Government Portfolio Advisors |

Dick Govatski
Erik Harrigan
Espy Holguin
Garrett Cudahey
J.A. Holguin
Kaeley Weimerskirch
Ken Cherevka
Matthew Ennis
Michael Chavez
Paul Losey
Regina Gaysina
Ron Burpo
S Ortega
Sheila Offult
Stevie Olson
Susen Ellis
Suzanne Bruckner
Tim Bond
Trish Johnston
Yadira Ortiz

Net Medical Express Solutions, Inc.
RBC Capital Markets
LRGPWWA
Government Portfolio Advisors

RBC Capital Markets

Build with Robots
Superintendent, Hatch Valley Public Schools
Covenant Schools
RBC Capital Markets
Sandoval County

LFC
BOKF
Sutin Thayer & Browne
Asst. Supt. – Gallup-McKinley County School District

Net Medical Express Solutions, Inc.

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 Forte, to approve the agenda. The motion passed 11 - 0 on a roll call vote.

3. Approval of the June 25, 2020 Board Minutes.

Member Kopelman moved, seconded by Member Forte, for approval of the June 25, 2020 Board minutes. The motion passed 10 – 0 on a roll call vote with Member Miller abstaining.

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

◆ *Small Business Recovery Loan Fund*

The Small Business Recovery Act of 2020 (HB4/SB3) (the “SBRA”) was signed into law on July 7, 2020, by Governor Michelle Lujan Grisham (“Governor”). The SBRA directs the State Investment Council to transfer up to \$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 NMFA will 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. This loan program would be funded in an amount not to exceed \$50 million.

The program poses new operations and communications challenges for the NMFA, which the staff has worked diligently to meet resulting in new and improved technologies and communications tools, all of which will benefit the other NMFA programs significantly. As a result of the increased demands the program places on NMFA, staff is recommending a budget amendment to provide the tools necessary to implement the program safely and efficiently.

◆ *Interim Loan, Grant and Participation Modification Policy*

The Board approved an Interim Loan, Grant and Participation Modification Policy that provides the CEO with the authority to modify loan covenants. Staff did not receive any modification requests from either public or private borrowers this month.

Staff continues to monitor Governmental Gross Receipts Tax and the revenues of underlying borrowers. Currently there is nothing of note to report on either front. Though only one month into the FY21, Governmental Gross Receipts Tax appears to be on track to meet the budgeted receipt of \$31 million. Mr. Michael Zavelle provided a report on the GGRT which he will distribute to the Board.

In response to a question from Member Miller, Ms. Russel reported on staffing and work functions. Morale is high with staff dedicated to working on Small Business Recovery Loan Fund Program. The landlord has provided various upgrades to the building including an ultra-violet system on the cooling/heating system, installed new carpet, and painted throughout. Member Nathanson Juris commended the staff for all the projects addressed simultaneously.

5. Overview of the Small Business Recovery Loan Fund. Overview of the implementation of the Small Business Recovery Loan Fund (“SBRLF”) and recommendation to adopt Rules governing the program.

Rep. Marian Matthews and Sen. Jacob Candelaria sponsored the Small Business Recovery Act of 2020 (the “Act”), which the Governor signed into law on July 7, 2020. The Act creates in the NMFA the Small Business Recovery Loan Fund, whose purpose is to provide financial support to businesses facing economic hardship due to the public health order ensuing from the coronavirus pandemic. The Act provides that up to \$400 million of Severance Tax Permanent Funds be invested in the Small Business Recovery Loan Fund.

The Act defines who qualifies for loans and the terms of these loans. NMFA’s primary responsibility is to ensure the terms laid out in statute have been met and that the applicant is deemed creditworthy. Staff worked with a small group of banks and alternative lenders on elements of the program design, including the determination of creditworthiness.

NMFA’s goal is to quickly get the funds to as many intended recipients as possible. To achieve this, staff drafted rules focused on communicating the program guidelines clearly and broadly, and incorporated several new technologies to increase efficiency and response time, but more importantly to reduce the potential for fraud and errors.

In response to a question from Member Burke regarding administrative costs, Ms. Russel said 1% is available. Ms. Russel clarified that the \$400M will not remain with NMFA but will return to the permanent fund noting that the funds will be an asset when received, a liability until used, and a receivable when expended.

6. Consideration for Approval of Rules Governing the Small Business Loan Fund Pursuant to the Small Business Recovery Act of 2020.

On March 11, 2020, in response to the presence in New Mexico of the disease known as COVID-19, the Governor declared that a Public Health Emergency exists in New Mexico under the Public Health Emergency Response Act and invoked all power and authority under the All Hazards Emergency Management Act. On March 23, 2020, the New Mexico Department of Health, pursuant to the All Hazards Emergency Management Act, issued a Public Health Emergency Order (the “Order”) to close all businesses and non-profit entities except for those deemed essential, while also limiting mass gatherings. Since March 23, 2020, the Order has been extended and modified to address the ongoing threat of COVID-19. On July 7, 2020, following the 54th Legislature – First Special Session, the Governor signed into law the Act, which creates in the NMFA the SBRLF which provides loans to businesses that are experiencing financial hardship due to the Public Health Emergency Order.

These rules govern the implementation and administration of the Small Business Recovery Loan Fund as enacted , and do not apply to other programs established by the NMFA

Member Suazo moved, seconded by Member Martinez, to adopt the rules governing the Small Business Recovery Loan Fund. The motion passed 11 – 0 on a roll call vote.

7. Consideration for Approval of FY21 Budget Amendment. Staff recommended approval of a proposed amendment to the FY 2021 Budget to ensure NMFA has the resources to comply with the mandates of the Small Business Recovery Act of 2020.

The proposed budget amendment includes both a reshuffling of staff and resources and an increase to the operating and capital budgets. An increase of up to \$1.3 million in operating expenditures will fund potential staff increase of 11 new positions and associated contractual services and operations, including increased legal and banking services. This increase in expenditures will be paid by the SBRLF in an amount not to exceed 1% of the total balance of the SBRLF and not to exceed \$4.0 million.

The majority of the proposed new non-capital expenditures are one-time costs for setting up the necessary automated processes, writing standard loan contracts and program materials, and contracting with an integrated application system and banking services that will provide the temporary platforms and technical support to handle the thousands of applications that are expected. Some of the capital investments were already contemplated as part of the EnABLE project (i.e. upload of EnABLE data to the general ledger) that now must be accelerated to handle the high volume of activity in the SBRLF.

All cost estimates are conservative in resources needed to ensure success in implementation of the new programs. Staff will take advantage of every opportunity that should arise to avoid costs and operate more efficiently and sustainably. Budget savings will be highlighted in the budget performance reports.

Member Suazo moved, seconded by Member Forte, for approval of the FY21 Budget Amendment. The motion passed 11 – 0 on a roll call vote.

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

8. **Update on Activities.** Member Forte presented the Public Lending Committee report on items discussed at the meeting on July 15, 2020. Staff reviewed the Public Project Revolving Fund (“PPRF”) policies and procedures pertaining to underwriting applicants audit findings. The Committee provided feedback and staff will present a policy update in August or September. The Committee reviewed 3 Local Government Planning Fund (the “LGPF”) projects and 9 PPRF applications, 2 which were recommended for consideration as part of the consent agenda. The Committee recommended approval of 5 of the 7 regular agenda applications. Gallup-McKinley County SD and Sandoval County were presented without a Committee recommendation; staff recommends approval.
9. **Consideration and Recommendation for Approval of City of Grants (Cibola County) – Economic Development Feasibility – PG-5312.** The City of Grants (“City”) applied to the LGPF for \$37,500 for an Economic Development Feasibility Study (“EDFA”) to identify opportunities and costs associated with a proposed Bio Park.
10. **Consideration and Recommendation for Approval of Garfield MDWC&MSWA (Doña Ana County)– Preliminary Engineering Report – PG-5313.** The Garfield MDWC&MSWA (“Association”) applied to the LGPF for \$50,000 to update a 2014 Preliminary Engineering Report (“PER”) to include an evaluation of new water sources, rehabilitation or replacement of existing water sources, and water distribution system improvements.
11. **Consideration and Recommendation for Approval of Rio Chiquito MDWC&MSWA (Santa Fe County) – Preliminary Engineering Report – PG-5314.** The Rio Chiquito MDWCA&MSWA (“Association”) applied to the LGPF for \$50,000 for a PER addressing replacement of an aging water storage tank and water distribution system by evaluating alternatives and costs for a possible replacement.
12. **Consideration and Recommendation for Approval of Mosquero Municipal School District (Harding County) –2020 Education Technology Note – PPRF-5308.** The Mosquero Municipal School District (“District”) applied to the PPRF for \$200,000 to finance the purchase of education technology equipment for District-wide projects including upgrading and installing network and wireless systems, and associated software and licensing.

The New Mexico 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 and the District retaining ownership responsibilities.

The 2019 audit received an unmodified opinion with 5 findings including 1 material weakness and 1 significant deficiency. The District submitted a corrective action plan.

13. Consideration and Recommendation for Revised Approval of City of Truth or Consequences (Sierra County) – Series 2009 Refunding – PPRF-5198. The City of Truth or Consequences (“City”) applied to the PPRF for revised approval of Project PPRF-5198.

On April 23, 2020, the Board approved a refunding request for the City’s Series 2009 Bond with the first increment of the Municipal Local Option GRT pledged towards repayment of the loan. Staff’s original write-up for the refunding request included funds needed for the May 1, 2020 debt service payment, although the new loan amount requires additional funds in order to close. All other terms of the refunding loan remain as approved in April.

Member Suazo moved, seconded by Member Nathanson Juris, for approve of Consent Agenda items 9 – 13. The motion passed 11 – 0 on a roll call vote.

14. Consideration and Recommendation for approval of Hatch Valley Public Schools (Doña Ana County) – Series 2020 General Obligation Bond – PPRF-5295. The Hatch Valley Public Schools (“Schools”) applied to the PPRF for \$625,000 for school improvements.

The District received voter approval in February 2017 of \$2,500,000 for school infrastructure identified in the District’s 2015 – 2020 Facility Master Plan. The District will issue General Obligation Bonds for \$625,000 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 guarantee also applies to school districts that follow on the agenda.)*

The 2018 audit received an unmodified opinion with 9 findings including 1 prior year material weakness, 1 prior year significant deficiency, and 2 new significant deficiencies. A corrective action plan was provided.

Mr. Michael Chavez, school superintendent, noted the Schools continue making improvements and implementing structural changes by soliciting help from consultants.

15. Consideration and Recommendation for Approval of Los Lunas School District (Valencia County) – Series 2020 General Obligation Bond – PPRF-5310. The Los Lunas School District (“District”) applied to the PPRF for \$5,000,000 to finance school improvements.

In November 2019, the District received voter approval of \$22,000,000 for school infrastructure valid for 4 years. The District will issue General Obligation Bonds for \$5,000,000 which NMFA will purchase with the PPRF.

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

16. Consideration and Recommendation for Approval of Cuba Independent School District (Sandoval County) – Series 2020 General Obligation Bond – PPRF-5296. The Cuba Independent School District (“District”) applied to the PPRF for \$1,200,000 for school improvements.

In February 2019, the District received voter approval of \$5,600,000 for school infrastructure valid for 4 years. The District will issue General Obligation Bonds for \$1,200,000 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 2019 audit received an unmodified opinion with 3 findings neither a material weakness nor a significant deficiency.

17. Consideration and Recommendation for Approval of Valencia County – Series 2020 General Obligation Bond – PPRF-5309. Valencia County (“County”) applied to the PPRF for \$2,550,000 for road improvements and capital equipment.

In August 2018, the County received voter approval of \$5,100,000 valid for 4 years. The County will issue General Obligation Bonds totaling \$2,550,000 which the NMFA will purchase with the PPRF. As a disadvantaged entity the County will receive a 2% disadvantaged interest rate determined at closing.

The 2019 audit received an unmodified opinion with 3 findings including 1 new material weakness and a prior year significant deficiency. The County provided a corrective action plan.

18. Consideration and Recommendation for Approval of City of Gallup (McKinley County) – 2020 Refunding SSGRT – PPRF-5282. The City of Gallup (“City”) applied to the PPRF for \$7,395,000 to refund its Series 2010A public infrastructure State Shared GRT bonds for economic savings.

The Series 2010A bonds originated in June 2010 for \$11,910,000 to provide funds and defray the costs for certain projects. The City reserved the option to use bond proceeds for other legally permissible purposes, and to pay all costs incidental to the issuance of the bonds. Based on the current market, the refunding of the Series 2010A bonds would likely achieve a net present value savings of approximately 11% equating to \$851,000 over the life of the refunding loans. The maturity of the refunding bonds extends the terms of the refunded loans by an additional five years.

The City requests a waiver of the requirement for a traditionally funded debt service reserve fund. The City will be required to cash fund a debt service reserve fund over a two-year period in the event that loan coverage falls below 4.0xs coverage. The City has also agreed that NMFA will hold a senior lien position with approving rights on additional debt.

The City will pledge their State Shared GRT for the repayment of the loan. Staff completed a 5-year analysis of the State Share GRT revenues and used an average of a 3-year revenue analysis to determine coverage.

The 2019 audit received an unmodified opinion with zero findings.

Items 19 and 20 are presented with staff recommendation for approval rather than a Committee recommendation.

19. Consideration and Recommendation for Approval of Gallup-McKinley County School District– Series 2020 General Obligation Bond – PPRF-5311. The Gallup-McKinley School District (“District”) applied to the PPRF for \$5,000,000 to finance school improvements.

The District received voter approval on February 7, 2017 of \$25,000,000 for school improvements 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 2019 audit received an unmodified opinion with no findings.

Mr. Ron Cruz mentioned that Tri-State Generation and Transmission Association, who is the District’s top taxpayer accounting for 10.31% of the total non-residential tax, is shutting down its generating station in McKinley County.

A discussion followed regarding how the reduction in the assessed valuation from the loss of a major taxpayer relates to bonded capacity. As outlined in the 2020 analysis, after this loan is approved and after the District makes its next payment, the District would be 85.39% bonded to capacity. In 2021, adjusting the non-residential assessed valuation and if the full 100% assessed valuation of the Tri-State generating plant falls off, the District’s bonded to capacity goes up to 95.66%, meaning the District is still within its constitutional authorization to borrow

The second issue discussed was how the reduction of a major taxpayer impacts the ability to repay the loan. Most important, was that this debt service schedule as structured has a declining debt service payment year over year. Mr. Cruz discussed how the current tax rate related to the historically tax rate and how the tax rate has been relatively stable for 12-years

The analysis provided assumed the loss of the generating plant which reduced the District’s growth by approximately 10.0% and a reduction in the collection rate to 90.0% to account for the Covid-19 environment. Going forward, the analysis assumes no growth in the assessed valuation for two years and a 1% overall growth rate thereafter and assumed a 96% collection rate.

From the analysis provided, because the loan is structured with a declining debt service balance, even accounting for a reduction in the tax rate and collection rate, the District’s tax rate could drop year after year until the existing debt is paid off. In addition, an analysis was also provided that if the District continues the same rate even with the declining assessed valuations and a 96% collection rate, the District will collect in excess of the debt payment starting in 2023.

Member Martinez expressed his appreciation for the information provided and recommended the Board approve staff’s recommendation.

20. Consideration and Recommendation for Re-Approval of Sandoval County –2020 Refunding PILT – PPRF-5251. Sandoval County (“County”) applied to the PPRF for reapproval of \$1,620,000 to refund Series 2010A public infrastructure GRT bond for economic savings.

The Series 2010A bonds originated in May 2010 to refund a Series 2008 bond for \$2,650,000 used to fund new roads, culvert installation, bridge repair projects, and cost of issuance. Based on the current market environment, the refunding of the Series 2010A bonds would likely achieve a net present value

savings of approximately 15% equating to \$232,000 over the life of the refunding loans. The maturity of the refunding bonds matches the terms of the refunded loans.

The County will pledge their Payments in Lieu of Taxes (“PILT”) for repayment of the loan. Staff completed a five-year analysis of the PILT revenues to determine coverage. The County will fund a debt service reserve account at the time of closing to be held at the NMFA. The debt service reserve account will consist of a reasonably required reserve fund by IRS regulation.

PILT are federal payments to local governments that help offset losses in property taxes due to nontaxable federal lands within their boundaries. The key law is dated October 1976 and was rewritten and amended in September 1982. The law recognizes that the inability of local governments to collect property taxes on federally owned land can create a financial impact.

The 2019 audit received an unmodified opinion with 1 finding neither a material weakness nor a significant deficiency.

In response to a question regarding how often PILT is used, Ms. Russel said NMFA has another PILT loan with Sandoval County with 4 other entities having used PILT loans in the past.

Member Forte moved, seconded by Member Kopelman, to approve agenda items 14 – 20. The motion passed 10 – 0 on a roll call.

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.*)

- 21. Update on Activities.** Member Clark reported on the Economic Development Committee meeting of July 20, 2020. The Committee reviewed the Private Lending Portfolio Report and reviewed 4 Essential Services Working Capital Program projects. Staff presented an overview of the Small Business Recovery Act Loan Fund.
- 22. Consideration and Recommendation for Approval of Las Cruces Machines (Doña Ana County) – ES-5304.** Staff recommends approval of a \$100,000 Essential Services Working Capital Program (“ESWCP”) line of credit (“LOC”) for Las Cruces Machine, Mfg. & Engineering to support business operations during the COVID-19 pandemic.

This organization primarily operates in the Miscellaneous Metalwork business/industry within the Fabricated Metal Products sector. Las Cruces Machine has not laid off any employees and is instead converting capacity to meet demand for medical component manufacturing to assist with the COVID-19 pandemic.

This will be a direct obligation of Las Cruces Machine, Mfg. & Engineering. Kari Mitchell and Rod Mitchell, wife and husband, will each provide an unlimited personal guaranty for the loan.

Las Cruces Machine’s collateral is raw inventory, purchase order inventory, and work in progress inventory. NMFA will secure a first lien position UCC filing on inventory that has a value of \$482,793 with a loan to value of 21% for the loan structure. The proposed commercial line of credit will improve

the company's cash position and assist with working capital needs.

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

23. Consideration and Recommendation of Covenant Schools (Bernalillo County) – ES-5299. Staff recommends approval of a \$375,000 ESWCP line of credit for Covenant Schools of America to support business operations .

Covenant Schools of America is requesting a six-month Line of Credit ("LOC") to support operations during the COVID-19 crisis. Operations are defined as salaries, rent, inventory and other operational costs. The LOC will not exceed \$375,000 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 Covenant Schools of America. In addition to the guarantees from Covenant Schools, Chief Executive Officer Paul Losey will provide an unlimited personal guaranty for the loan.

The proposed commercial LOC will be secured by tuition charges from Covenant Schools. NMFA will have first lien position UCC filing on tuition charges valued at \$3,473,317 as of December 31, 2019 unaudited statements. This structure carries a loan to value of 11%.

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.

24. Consideration and Recommendation of Net Medical Express Solutions, Inc. (Bernalillo County) – ES-5300. Staff recommends approval of a \$100,000 ESWCP line of credit for Net Medical Xpress Solutions, Inc., to support business operations.

Net Medical Xpress Solutions, Inc. ("NMXS") is requesting a six-month line of credit ("LOC") to support operations during the COVID-19 crisis. 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-months period. After six months, the LOC will convert to a permanent term loan on the balance of the LOC with the interest rate on the LOC and permanent term loan fixed at 1%.

This will be a direct obligation of Net Medical Xpress Solutions, Inc. The loan will carry the unconditional guarantee of Chief Executive Officer Richard Govatski. NMFA will have a first lien position UCC filing on the Accounts Receivables of the corporation which could include insurance reimbursements, patient co-pays and out of pocket revenues. 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.

25. Consideration and Recommendation of Build with Robots, Inc. (Bernalillo County) – ES-4306.

Staff recommends approval of a \$618,750 ESWCP Line of Credit for Build with Robots, Inc., to support the operations of the business.

Build with Robots Inc. (“BWR”) requested assistance for a working capital Line of Credit (“LOC”) for \$618,750. The proposed LOC will provide cash flow to the company as it fulfills their orders for Breezy One robot and to service the robot while in production. The LOC will not be advanced until verification of the contracts and robots in service per the contract. This LOC will also provide a bridge to the Small Loan Pool application which if approved will take out this structure.

Due to the health implications in the world, BWR engineers determined the Breezy One robot could be used to help fight COVID-19 by disinfecting large areas which would be expensive, time consuming and dangerous for people to perform. BWR has secured a contract with Albuquerque Sunport Airport for 10 robots. They are also working with Albuquerque Public Schools and Daikin Manufacturing Company to purchase robots for their facilities. If these contracts are secured, BWR will need to produce 100 additional robots to be deployed to these organizations.

The loan would be a direct obligation of Build with Robots Inc. The loan will carry the personal guarantees of CSO Matthew Shields Ennis and Christopher Dennis Ziomek, CEO/President. The proposed commercial LOC would be secured by equipment consisting of 11 robots valued at \$75,000 each for a total valuation of \$825,000. In addition, there will be security in the contracts as services are secured by BWR. These contracts will be considered as a receivable and valued at 75% of the contract value based on the term of the contract and per robot that is in service based on the contract value.

Member Clarke moved, seconded by Member Suazo, for approval of agenda items 22 – 25. The motion passed 11 – 0 on a roll call vote.

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

26. Update on Activities. A quorum of the Finance and Disclosure Committee met on July 15, 2020. Items discussed included a request for an amendment to the FY2021 budget and the Investment Report for period ending June 30, 2020. NMFA drafted a Memorandum of Understanding between the NMFA and the State Investment Council to coordinate and develop a funding schedule to carry out the provisions of the SBRA. Additionally, the NMFA is working to develop an end-to-end borrower experience to process SBRA loans and has entered into an emergency procurement with Formstack, LLC, pursuant to the NMFA’s Procurement Policy. Formstack’s expertise is capturing information via Webform, creating workflow, generating secure documents for signature, and integrating the captured data with other platforms. The intent is to create a process that will allow the NMFA to incorporate conditional logic in the forms that can help with the qualifying process for potential qualified small businesses.

27. Presentation of the Investment Report for the Period Ending June 30, 2020 and Market Update.

Mr. Mark Lovato reviewed the Investment Report for period ending June 30, 2020.

As of June 30, 2020, the NMFA has total invested funds of \$695.5 million, of which \$687.3 million are NMFA funds and \$8.2 million invested for NMDOT. The current overall book yield on the NMFA

portfolio is 1.145% and market yield of .145% compared to the benchmark of .177% with a weighted average duration of .667 compared to the benchmark of .901. The 12-month Total Return on the NMFA Portfolio was 2.555% compared to the benchmarks at 2.590%.

Ms. Deanne Woodring, Government Portfolio Advisors, reviewed the NMFA Portfolio strategy and market update.

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)*)

28. Update on Activities. Member Burke reported on the Audit Committee meeting of July 15, 2020. Items presented included an update on the EnABLE project, the FY2020 Audit Entrance Conference with Moss Adams, LLC., review of the May financial statements, and a report on cybersecurity. Risksense, Inc., completed work on the cybersecurity assessment and penetration testing providing recommendations to mitigate risks. Regarding the review of the EnABLE implementation, NMFA's internal auditor, Deloitte Touche, has delivered the documentation that Moss Adams will use to audit the data migration. Moss Adams will begin work on July 20, while another Moss Adams' team begins the audit of NMFA's financial statements.

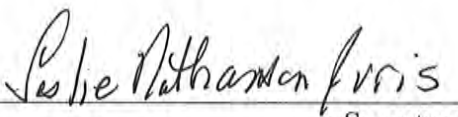
29. Next Board Meeting

Thursday, August 27, 2020 – 9:00 a.m.
Location/Mode TBD
Santa Fe New Mexico

30. Adjournment

Member Suazo moved, seconded by Member Forte, to adjourn the meeting. The motion passed 11 - 0.

The meeting adjourned at 1:00 p.m.



Secretary

9/3/2020

Date