

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

Minutes of Board Meeting
September 24, 2020
Via Zoom
Santa Fe, New Mexico

Present:

A.J. Forte	Interim Executive Director, NMML
Andrew J. Burke	Chief Financial Officer - NMSU
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	Public Member, Santa Fe, NM
Marcos Trujillo	Designee for Acting Secretary, Dept. of Finance & Admin.
Martin Abran Suazo	Public Member, Las Vegas, NM
Matthew Lovato	Designee for Secretary, NMENRD
Steve Kopelman, Vice Chair	Executive Director, NMC

Absent:

David A. Martinez	Public Member, Laguna, NM
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Finance Authority Staff:

Adam Johnson	Alex Orozco
Angela Quintana	Bryan Otero
Carmela Manzari	Ceryn Schoel
Charlotte Larragoite	Connie Marquez
Dan Opperman	Dora Cde Baca
Joe Durr	Joe Maldonado
John Brooks	LaRain Valdez
Leslie Medina	Lynn Taulbee
Maria Gallardo	Mark Lovato
Mary Finney	Marquita Russel
Michael Vonderheide	Michael Zavelle
Mona Killian	Norman Vuylsteke
Oscar Rodriguez	Rio Trujillo
Ron Cruz	Ryan Olguin
Shawna Johnson	Susan Rodriguez
Todd Johansen	

Guests:

Amy Slater	Parting Stone, Inc.
Anne Browne	Sutin Thayer & Browne
Brandy Thompson	Union County

Brock Wolff
Craig Dussinger
Cynthia Valdez
David Buchholtz
Erik Harrigan
George Williford
Jerry Kyle, Jr.
Justin Crowe
Kaeley Weimerskirch
Karen Romero
Kristen Dorland
Luis Carrasco
Peter Shellenburger
Regina Gaysina
Stevie Olson
Susen Ellis
Suzanne Bruckner
Sylvia Barela
Ted Benavidez
Tim Dodge

Albuquerque Speech Language & Hearing Center
Bank of America Merrill Lynch
Albuquerque Speech Language & Hearing Center
Rodey Law Firm
RBC Capital Markets
City of Ruidoso
Orrick, Herrington & Sutcliffe
Parting Stone, Inc.
RBC Capital Markets
Village of Pecos

Rodey Law Firm
PFM Financial Advisors
RBC Capital Markets
LFC
BOKF
Sutin Thayer & Browne
Santa Fe Recovery Center
Village of Pecos
City of Ruidoso

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 10 - 0 on a roll call vote.

3. Approval of the August 27, 2020 Board Minutes.

Member Suazo moved, seconded by Member Forte, for approval of the August 27, 2020 Board minutes. The motion passed 10 – 0 on a roll call vote.

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

Small Business Recovery Loan Fund (SBRLF): In the first six weeks of the program, staff has received approximately 750 applications with approximately 60% eligible under the program. As of September 18, staff has approved and/or funded approximately 400 applications totaling approximately \$19 million. The average loan size remains at just under \$50,000. Of the nearly 300 ineligible applications received to date, approximately 85% of them are due to revenue declines not meeting the 30% requirement. Staff is developing proposals for paid advertising to increase awareness. Proposals are anticipated to be presented to the Executive Committee in October or November for review.

Staff is also considering whether minor amendments to the rules would allow greater flexibility in how applicants evidence qualification.

- ◆ *Essential Services Working Capital Program:* On September 18, the NMFA Legislative Oversight Committee approved the rules governing the Essential Services Working Capital Program allowing the NMFA to continue program operations. With approval of the two projects presented today, the NMFA will have obligated 40% of the \$12 million available for the program. Staff is exploring ways to use the New Markets Tax Credit program to serve similar purposes once funding is depleted.
- ◆ *EnABLE Update:* Staff is progressing towards its goal of operating the PPRF in parallel in Mitas and EnABLE by the end of September. This will allow NMFA eliminate use of Mitas, and by extension Excel, by the end of the calendar year. This will increase the time the accounting staff has to make additional improvements to EnABLE and to management reporting in general.
- ◆ *Unsung Victories:* Staff continues its efforts to automate as much as possible the incoming and outgoing payments. Certain vendors had been reticent to receive payments by anything other than check. However, through the accounting staff's hard work, the number of payments made using ACH have increased substantially reducing the number of checks cut to a small handful.

Accounting staff was successful in uploading batch journal entries from EnABLE to MIP, which is a significant milestone and slightly ahead of schedule. NMFA began the fiscal year with an improved general ledger software that allows us to connect the EnABLE loan servicing software to the MIP general ledger system. This required staff to align naming conventions of our loans and grants between the two systems and modify close-out procedures. As a result, the "water programs" were closed out using solely the reports generated from MIP and EnABLE and staff did not rely on Excel spreadsheets that were previously required because of Mitas's reporting inadequacies. This process was escalated in order to prepare for the larger volume of PPRF projects expected by the end of the calendar year.

- ◆ *COVID-19 Economic Impacts:* 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. During September we received one request to defer payments on a drinking water loan to allow the Village of Pecos's new rate structure and GRT collections to stabilize prior to likely undertaking a loan restructuring next year. Staff is recommending a one-year deferral which requires Board approval to amend the loan documents. Staff did not receive any other modification requests from either public or private borrowers in September.

5. Consideration and Recommendation for Approval of Amended and Restated Rules Governing the Small Business Recovery Loan Fund. Recommendation of amended and restated Small Business Recovery Loan Fund ("SBRLF") rules.

The Small Business Recovery Act (the "Act") was signed into law on July 7, 2020 creating in the NMFA a short-term loan program, the SBRLF, to help small businesses impacted by Covid-19. The Act specifies 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. On July 23, 2020, the NMFA Board adopted rules governing the SBRLF which provide guidance to New Mexico small businesses on application requirements and procedures.

The application opened on August 5 and the NMFA approved its first loan on August 7. Approximately 40% of the applications received to date do not qualify for the program, largely due to the statutory requirement that the business evidence a 30% decline in revenue in each of April and May of 2020, as compared to those same months in 2019. Whenever possible, NMFA has worked to interpret the Act and has identified a few instances in which the rules, and not the Act, may be a barrier to accessing to the program. These instances include how an entity that reports less frequently than monthly to Taxation and Revenue may evidence decline and how a business with many owners is able to evidence residency.

The proposed minor amendments to the Rules will provide staff with greater flexibility in how a small business is able to evidence these qualifications and provides the CEO with discretion in accepting additional clarifying items to demonstrate qualification, all in accordance with the spirit of the law.

Member Suazo moved, seconded by Member Nathanson-Juris for approval of the amended and restated rules governing the Small Business Recovery Loan Fund. The motion passed 10 – 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.*)

6. **Update on Activities.** A quorum of the Public Lending Committee met on September 16, 2020. Staff presented the 3 LGPF applications, reviewed the application process for the DWSRLF, and presented 10 DWSRLF projects. Nine of the 10 projects are recommended to the Board for approval. The last of the new projects and the recommendation for deferral of payments, both for the Village of Pecos, are brought before the Board with staff’s recommendation because there are broader financial considerations warranting the full Board’s discussion. The Committee reviewed 4 PPRF applications; one of which the Committee recommends the full Board consider as part of a consent agenda.
7. **Consideration and Recommendation for Approval of Watrous Mutual Domestic Water Consumers Association (Mora County) – Preliminary Engineering Report – PG-5368.** The Watrous MDWCA (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 for a Preliminary Engineering Report (“PER”) to evaluate water system infrastructure and develop solutions to address replacing and relocating the water storage system tank.
8. **Consideration and Recommendation for Approval of Mora County – Economic Development Feasibility Study – PG-5382.** Mora County (“County”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund an Economic Development Feasibility Study that will develop a detailed investor-grade analysis of biomass energy development, to include assessing economic and ecological benefits, and provide crucial information on the best path towards renewable energy for the County and the region.
9. **Consideration and Recommendation for Approval of Agua Pura MDWC&MSWA (Mora County) – Preliminary Engineering Report – PG-5383.** Agua Pura Mutual Domestic Water Consumers and Mutual Sewage Works Association (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a water asset management plan to assist the Association in managing

infrastructure capital assets, minimizing total operational costs, and providing the service level needed to achieve sustainable infrastructure.

- 10. Consideration and Recommendation for Approval of Town of Lake Arthur (Chaves County) – 2020 Infrastructure Loan – PPRF-5366.** The Town of Lake Arthur (the “Town”) applied to the Public Project. Revolving Fund (“PPRF”) for \$18,500 loan for a Colonias Infrastructure Fund (“CIF”) match.

The Town received an 80% grant and 10% loan from the CIF with a 10% match requirement from the Town. At closing, the Town passed a resolution indicating that the required match would be paid from available funding; however, due to the Covid-19 pandemic, the Town is concerned that they may not have the match because of an anticipated 35% decrease in revenues.

The 2019 audit received an unmodified opinion with no findings.

- 11. Consideration and Recommendation for Approval of Ponderosa MDWCA (Sandoval County) – Radio Read Meters – DW-5360.** Ponderosa MDWCA (“Association”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$60,600 to purchase and install 116 Radio Read Smart Meters and reading software beginning with those registering over one million gallons.

The Association qualifies for 50% principal forgiveness totaling \$30,300.

- 12. Consideration and Recommendation for Approval of Ponderosa MDWCA (Sandoval County) – Line Extension – DW-5361.** The Ponderosa Mutual Domestic Water Association (“Association”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$101,000 for a water project to upgrade outdated existing domestic water line service replacing approximately 995 feet of domestic water lines from 3-inch PVC pipe to 6-inch PVC pipe.

The Association qualifies to 50% principal forgiveness totaling \$50,500.

- 13. Consideration and Recommendation for Approval of City of Las Vegas (San Miguel County) – Supervisory Control and Data Acquisition – DW-5355.** The City of Las Vegas (“City”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$500,000 to finance Supervisory Control and Data Acquisition (“SCADA”) system for the existing water treatment facility.

The City qualifies for 75% principal forgiveness totaling \$375,000.

- 14. Consideration and Recommendation for Approval of City of Las Vegas (San Miguel County) – Clarifier Basin Vacuum System – DW-5356.** The City of Las Vegas (the “City”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$300,000 to finance a Clarifier Basin Vacuum System to reduce sedimentation in the system and extend the life of the equipment.

The City qualifies for 75% principal forgiveness of \$225,000.

- 15. Consideration and Recommendation for Approval of City of Las Vegas (San Miguel County) – Hanna Park Reuse System Expansion – DW-5362.** The City of Las Vegas (“City”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$500,000 to finance the Hanna Park Reuse System Expansion installing approximately 7,000 feet of 4", 6", and 10" PVC effluent waterlines

and associated appurtenances from the recreation center to Hanna Park providing effluent water to the community within the area.

The City qualifies for 75% principal forgiveness totaling \$375,000.

- 16. Consideration and Recommendation for Approval of City of Las Vegas (San Miguel County) – WTP Pump Replacement – DW-5363.** The City of Las Vegas (“City”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$200,000 to finance a Pump Replacement Project replacing three dilapidated pumps at the water treatment plant used to distribute fresh water from the water treatment plant to storage containers and the water distribution system.

The City qualifies for 75% principal forgiveness for \$150,000.

Member Forte moved, seconded by Member Nathanson-Juris for approval of agenda items 7 – 16. The motion passed 10 – 0 on a roll call vote.

- 17. Consideration and Recommendation for Approval of Union County – 2020 Administration Building Infrastructure Loan – PPRF-5316.** Union County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,265,541 to finance infrastructure and costs related to the renovation of a former grade school building donated by the Clayton Municipal School District for county offices.

The County will pledge the first increment (0.125%) of the County Local Option Gross Receipts Tax as security and repayment of the loan. The County is in the process of changing the dedication of the first increment removing the limitation on the dedication to indigent care.

Staff utilized FY2020 revenues with a 10% current economy reduction resulting in revenues of \$118,970 to determine debt service coverage of 1.82xs. The County is utilizing capital outlay of \$837,500 including contributed County funds of \$258,067 for the renovation.

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

- 18. Consideration and Recommendation for Approval of Ruidoso (Lincoln County) – 2020 New Court Facility – PPRF-5365.** The Village of Ruidoso (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$7,000,000 loan to construct a new court facility.

The Village, partnering with the Administrative Office of the Courts (“AOC”), will enter into a long-term lease with the Village that will pay for the debt service as well as maintenance and operation of the facility. The AOC currently leases a facility from the Town of Carrizozo; however, the County is moving the magistrate court to the Village of Ruidoso which sees more activity in the area.

The Village is requesting capitalized interest for the first two years of the loan allowing time for site improvements and construction of the new facility that will be approximately 10,700 sq. ft. consisting of one courtroom and a hearing room.

The Village and the AOC will have a thirty-year lease agreement that includes rent payments of

100% of the Village’s annual debt service for financing of the construction of the facility. In addition, staff will maximize proceeds with current market rates not to exceed the minimum 1.00xs loan coverage limits and Board approval requirements. The PPRF Loan Management Policies allow for maximized loans when staff has specifically identified the loan as such in the recommendation, the minimum coverage requirements are met, and the maximized increase is within 10% of what the Board approved.

The approval and closing of this loan (PPRF-5365) represent appropriation risk loans in the PPRF subordinate lien. The PPRF subordinate lien appropriation loan capacity is currently \$18,850,695. The successful closing of these loans will leave net capacity for future considerations in the PPRF subordinate lien at \$11,850,695.

The 2019 audit received an unmodified opinion with no findings.

19. Consideration and Recommendation for Approval of Las Cruces Public Schools (Doña Ana County) – Series 2020 General Obligation Bond – PPRF-5364. The Las Cruces School District (the “District”) applied to the Public Project Revolving Fund (“PPRF”) for \$5,000,000 for school improvements.

The District will issue General Obligation Bonds for \$5,000,000 which the NMFA will purchase with the PPRF. The proceeds will be used for projects identified on the District's 2015-2020 Facility Master Plan.

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 8 findings none a material weakness nor a significant deficiency.

Member Suazo moved, seconded by Member Forte, for approval of agenda items 17 – 19. The motion passed 10 – 0 on a roll call vote.

20. Consideration and Recommendation for Approval of City of Alamogordo, Bonito Lake (Otero County) – Bonito Lake Surface Water Reservoir Improvements – DW-5357. The City of Alamogordo (“City”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$2,151,300 to improve the Bonito Lake Surface Water Reservoir which serves as the primary source of drinking water.

The reservoir was damaged after flooding from the Little Bear Fire in 2012. The improvements will provide operators the ability to sample and ensure that the best quality of water is delivered to customers while protecting the current investment and ensuring timely delivery. The dam is currently drained, and debris is being dredged with funding provided by the Federal Emergency Management Agency (“FEMA”) funds. The project received a waiver from the Environmental Protection Agency (“EPA”) to utilize the DWSRLF.

The City qualifies to 50% principal forgiveness totaling \$1,075,650.

- 21. Consideration and Recommendation for approval of Village of Hatch, Placitas Water Improvement (Doña Ana County) – Water System Improvement – DW-5358.** The Village of Hatch (“Village”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$1,007,000 to plan, design, and construct water system improvements within the Placitas community.

Improvements include the installation of a new water transmission line, distribution lines, service lines, isolation valves and hydrants.

- 22. Consideration and Recommendation for Re-Approval of ABQWUA (Bernalillo County) – 2019 Los Padillas Water Project Scope Change – DW-4877.** The Albuquerque Bernalillo County Water Utility Authority (“Utility”) requests a scope change to approved loan DW-4877.

In November 2019, the Utility received approval for \$3,430,081 for continuation of the South Valley water system improvements project. The approval included a loan of \$2,724,282 and Drinking Water State Revolving Loan Fund (“DWSRLF”) principal forgiveness subsidy of \$705,799. The term was 20 years with a coverage ratio of 1.43xs and a net interest rate of 1.86%.

Having received favorable bids, the Utility will have \$2,504,007 remaining once the original scope is completed. The Utility wishes to expand the scope of the project to include construction of a water transmission line and all appurtenances along Coors Blvd from Gun Club Rd to Pajarito Rd which is not expected to exceed the available funding. The Utility requests a seven-month extension on the construction phase until November 30, 2021 in conjunction with the added scope.

- 23. Consideration and Recommendation for Approval of Eldorado WSD – (Santa Fe County) – Distribution Line Replacement – DW-5345.** The Eldorado Area Water and Sanitation District (“District”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$505,000 to finance the cost of an engineering, design, and construction report for replacing aging water distribution lines.

Per the District’s 2017 preliminary engineering report, the District has over 130 miles of old water distribution lines approaching the end of their useful life some containing different types of pipe materials including asbestos cement pipe.

- 24. Consideration and Recommendation for Approval of City of Las Vegas (San Miguel County) –Hot Springs Waterline Replacement – DW-5354.** The City of Las Vegas (“City”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$800,000 to finance the Hot Springs Waterline Replacement project.

The proceeds will be used for but are not limited to the replacement of existing services, the installation of associated appurtenances, and pressure reducing valves along Hot Springs Boulevard between the southside of Mills Avenue and San Miguel Street.

The City qualifies for 75% principal forgiveness totaling \$600,000.

Member Kopelman moved, seconded by Member Kahl, for approval of agenda items 20 – 24. The motion passed 10 – 0 on a roll call vote.

25. Consideration and Recommendation for Amended approval of Village of Pecos (San Miguel County) – Meter Project, Amend Loan Agreement with Twelve-Month Forbearance Period. Staff recommends approval of an amended loan agreement with twelve-month forbearance period for the Village of Pecos Project DW-3036.

In September 2013, the Village received Board approval for \$463,000 to upgrade or replace approximately 800 water meters with a radio-read function. The final loan project components consisted of a DWSRLF loan of \$296,755.88, principal forgiveness subsidy for \$98,918.63, and a cost of issuance expense of 1%. The term was twenty years with a coverage ratio of 2.20xs and an interest rate of 2.00%. The pledged revenue is the Net System Revenues (“NSR”) of the wastewater and water utility system.

Since the approval, the Village’s aging water conveyance systems have experienced ongoing water line breakages causing interruptions to the system. The resulting repairs and maintenance are increasing the Village’s cost to maintain the systems causing added expenses to the NSR fund thereby reducing revenues. The decrease in revenues have reduced the Village’s coverage ratios below the required 1.20xs. The current coverage ratio is negative based on the most current year’s revenue as stated in the loan agreement.

The Village makes their monthly DWSRLF payments timely from the NSR fund with the current principal balance of the loan at \$248,209.70. The next scheduled interest and administrative fee payment is due November 1, 2020, and the deposit account has sufficient balance to make the scheduled payment.

The NMFA received a formal request from the Village to implement multiple actions to improve the systems and the Village’s cash flow. The Village wishes to defer payments for loan DW-3036 for one-year. The deferment timeline will allow the Village an opportunity to improve the systems, decrease expenses, and increase revenues through the following actions:

1. Completing a preliminary engineering report on the water system (PG-5286) to determine needs to replace its aging water infrastructure;
2. Applying for a new DWSRF loan, DW-5359 with a principal forgiveness subsidy in the amount of \$750,000 and a loan component of \$250,000. The pledged revenue is the Municipal Gross Receipts Tax, 3rd increment which will be intercepted;
3. Proceed with their CDBG and Capital Outlay funding requests; and
4. Initiate a rate increase study to support future rate increases in the systems.

Staff recommends a twelve-month forbearance period beginning December 1, 2020 and ending on November 1, 2021 to allow adequate time for the Village to address their capital planning and implement the appropriate rate structure, and a recommendation to amend the current loan agreement to reflect the extension. Staff will work with the Village to ensure the future rate structure is sufficient to meet the minimum debt service coverage ratio requirement of 1.20xs. Prior to the expiration of the forbearance period, staff will seek Board approval for a new financing schedule for DW-3036 that recoups the amount of mitigated payments during the twelve-month period.

Ms. Russel noted that where the actual pledge falls outside the technical covenants the community has had long standing breakages which have hurt the financial system. The GRT is in flux raising the concern with use of the GRT as repayment eliciting the community request for a payment deferral so

they do not put themselves in a position not to succeed. Ms. Kathy Rivera and Mayor Benavidez spoke on the reasoning and need for the request. Discussion ensued on what would be the best process for assisting the City with the consensus being to wait and be patient and come back with a restructured loan. In response to a question from Chair Miller regarding the Public Lending Committee's stance on approval, Member Forte noted the general feeling was that the project should go forward but with the uniqueness of the project felt important it important to be considered by the full Board. Ms. Russel noted that the deferral will not impact the NMFA's revenue stream. Chair Miller mentioned the importance of helping mutual domestics, small municipalities, and others sold this type of problems.

Member Suazo moved, seconded by Member Forte for approval of Village or Pecos Project DW-3036. The motion passed 10 – 0 on a roll call vote.

- 26. Consideration and Recommendation for Approval of Village of Pecos (San Miguel County) – Water & Sewer Line Replacement – DW-5359.** The Village of Pecos (“Village”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$1,000,000 to finance the cost of constructing and improving its aging water and sewage conveyance systems.

The water improvements will include replacing undersized current water and sewer lines, replacing current materials to address environmental health and safety concerns, and adding looping to prevent service disruptions. The improvements will also include new valves allowing for the isolation of segments of the water and sewer system to minimize impact to the citizens and replacing undersized lines to reduce backups into homes and businesses.

The Association qualifies for \$750,000 principal forgiveness.

Member Suazo moved, seconded by Member Forte, for approval of Village of Pecos Project DW-5359. The motion passed 10 – 0 on a roll call vote.

Member Suazo departed the meeting at 10:20 a.m.

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

- 27. Update on Activities.** The Economic Development Committee met September 16th with a quorum of members in attendance. In addition to reviewing the Private Lending Portfolio Report, staff presented the 2 Essential Services Working Capital Program application, 1 project for the NMTC Small Loan Pool, and the prioritization of Round 20 NMTC applications.

- 28. Consideration and Recommendation for Approval of Santa Fe Recovery Center (Santa Fe County) – ES-5388.** Staff recommends approval of a \$874,000 commercial term loan using the Essential Services Working Capital Program (“ESWCP”) for The Santa Fe Recovery Center (“Center”).

The Center applied for a commercial term loan with NMFA for \$874,000 from the ESWCP to improve the cash position to help with working capital needs.

The Center was established in 2005 to address the long-existing substance abuse problems abuse in

Northern New Mexico by working with individuals to sustain lasting recovery from substance abuse disorders and related mental health disorders by providing culturally relevant, evidence-based treatment and education in partnership with other community organizations.

Due to COVID-19 the Center experienced a reduction in population with individuals communicating a high level of anxiety about coming in for treatment. COVID-19 related safety precautions deeply impacted their census as did the additional expenses to implement detailed safety procedures. Toward the middle of June 2020, when public access to testing increased, their census slowly increased as well.

This would be a direct obligation of the Center. The proposed loan will be secured by the Center's account receivables. NMFA will have 1st Lien on account receivables valued at \$1,165,633 as of August 31, 2020. This structure carries a loan to value of 74.9%. The proposed loan will improve the cash position of the Center and assist the organization financially during the COVID-19 pandemic to help with working capital needs.

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 6-months will be interest only payments to allow Santa Fe Recovery to stabilize its operation. The remainder 54 months will have loan payments made monthly with principal and interest payments due the first of each month. The Center's financial position reflects a healthy net worth, with a strong long-term asset base sufficient enough to support the proposed debt service of \$179,279.

Member Miller recused herself from voting on this item.

Member Clark moved, seconded by Member Forte, approval of Project ES-5388. The motion passed 8 – 0 on a roll call vote.

29. Consideration and Recommendation for Approval of Albuquerque Speech Language and Hearing Center (Bernalillo County) – ES-5384. The Albuquerque Speech and Language and Hearing Center ("ASLHC") applied for a \$65,000 line of credit using the Essential Services Working Capital Program (ESWCP) to support business operations.

ASLHC requests a six-month Line of Credit ("LOC") to support operations during the COVID-19 crisis with operations defined as salaries, rent, inventory and other operational costs. The LOC will not exceed \$65,000 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%.

ASLHC, located in Albuquerque, New Mexico, has been operating for approximately 67 years and is a premier source for speech therapy programs with nationally certified clinicians that are state licensed. In March 2020, ASLHC closed completely due to the COVID-19 pandemic and state mandated requirements. Overall, ASLHC lost \$111,938 during the closure. They did receive a PPP loan of \$119,700 to cover their payroll to ensure they did not have to lay off any employees.

With the need to allow for social distancing, it is necessary to add an additional 2,000 square feet by acquiring the Suites located next door. ASLHC has also had to shift much of the business to tele-health resulting in extra cost to the organization.

This will be a direct obligation of ASLHC. NMFA will have 1st Lien on account receivables valued at

\$91,267 as of June 30, 2019. This structure carries a loan to value of 71% with the policy requirement being at 75%. These accounts receivable 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.

ASLHC has maintained a revenue of \$1.1 million from years 2017 through 2019 reflecting a healthy net worth, with a strong long-term asset base sufficient enough to support the proposed debt service of \$16,584.

Member Clark moved, seconded by Member Kopelman, for approval of Project ES-5384. The motion passed 9 – 0 on a roll call vote.

30. Consideration and Recommendation for Approval of Parting Stone, Inc. (Santa Fe County) – SLP-5339. Staff recommends approval of the Small Loan Pool NMTC financing for \$450,000 for Parting Stones.

Parting Stone, Inc. (“PSI”) was created by Justin Crowe in 2016 as a research company to evaluate the cremation and funeral industry to create an innovative product for helping those with remains of their loved ones. PSI started its operations in October 2019 after completing two years’ worth of research and development of its products. They have two different offerings for pets and human remains that contribute to their sales. PSI will use the funding to purchase equipment and expand its current building for operations. In addition, they will be raising money through an equity to bring in additional capital to offset the loan from the NMTC Small Loan Pool. PSI will be allocating \$300,000 toward manufacturing renovations and upgrades to the facility.

This transaction will be considered for the first \$8 million Small Loan Pool. The \$450,000 loan to PSI. will be made by Finance New Mexico-Investor Series XXXV, LLC with capital provided by US Bancorp CDC (expected) and Finance New Mexico Service Company. This loan will carry the personal guarantee of Justin Crowe, who is the majority owner of Parting Stone. The loan will be secured by the equipment being purchased with the proceeds of this loan and the assets of Parting Stone.

According to the Proforma Income Statement, PSI will have a positive cash flow in year 2022. The Gross Revenue is predicted to be \$6 million with a Gross Profit of \$2.5 million. The operating expenditures of \$1.6 million yields \$835 thousand of net profit. These assumptions are based on an increase of 13,000 more units sold than in 2020. This is a mixture of Business-to-Consumer sales, a contract with Services Corporation International (the largest funeral home corporation in the US), Wholesale Market and Accessories that increase year over year for the services they are providing.

Member Clark moved, seconded by Member Nathanson-Juris for approval of Project SLP-5339. The motion passed 9 – 0 on a roll call vote.

31. Consideration and Recommendation for Approval of Prioritization for Round 29 Ranking of NMTC Applications. Staff recommended approval of prioritization for Round 29 ranking of NMTC applications.

Eleven applications were submitted as part of NMTC Round 29. Ten of the applications were deemed eligible and have been evaluated by a three-member committee consisting of one review from NMFA, New Mexico Economic Development Department and Baker Tilly, Finance New Mexico's financial advisor. Five of the applicants qualified as urban applications while five qualified as rural applications. Five applications met the policy requirements of at least 60 points and a moderate readiness. Pursuant to policy, the Finance New Mexico Advisory Board reviewed the projects and recommends approval.

Approval does not guarantee that the project will be funded. The approval of the prioritization allows staff to underwrite the transaction and perform due diligence to ensure the project can meet the criteria.

Member Clark moved, seconded by Member Kopelman, for approval of prioritization for Round 29 ranking of NMTC applications. The motion passed 9 – 0 on a roll call vote.

Member Forte departed the meeting.

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.*)

32. Update on Activities. A quorum of the Finance & Disclosure Committee met on September 16, 2020. Staff presented the Review of the Preliminary Official Statement ("POS") for the New Mexico Finance Authority State Transportation Refunding Revenue Bonds (State Transportation Commission – Senior Lien), Series 2020A.

33. Report on PPRF 2020C1 and 2020C2 Bond Sales. Mr. Michael Zavelle presented the report on the PPRF 2020C1 and 2020C2 bond sales.

The PPRF subordinate lien tax-exempt 2020C1 series bonds and the PPRF subordinate Lien taxable 2020C2 series bonds were sold September 15, 2020 in the par amounts of \$57,960,000 (2020C1) and \$38,860,000 (2020C2) with \$154,858,000 (2020C1) and \$39,670,000 (2020C2) in non-stock orders received from institutional and retail investors. Lead manager was Bank of America with co-managers JP Morgan and Morgan Stanley. Member Martinez served as Board designee. The bonds will close on September 29, 2020. Bond proceeds will fund New Mexico infrastructure projects totaling \$81,582,595 and refund PPRF 2010A2 and 2010B2 bonds in the amount of \$25,635,000 for NPV savings of \$7,418,349 (28.9%) (2020C2).

The PPRF 2020C1 tax-exempt bonds mature in 2050 with an average life of 12.641 years and an effective interest rate on a true interest cost ("TIC") basis of 2.18% benefitting from the current historically low interest rate environment. The 10-year call is June 15, 2030.

The PPRF 2020C2 taxable bonds mature in 2040 with an average life of 6.310 years and an effective interest rate on a TIC basis of 1.50% also benefitting from the current historically low interest rate environment. The 10-year call is June 15, 2030.

Mr. Zavelle noted the municipal bond market is functioning with volume at reasonably expected levels but with a higher proportion of taxable bonds for advanced refunding purposes. The widened differentiation in pricing between top rated issuers like the PPRF and less well rated issuers continues. Firms placing orders included firms that know the PPRF well and included a new investor, Mariner Investments.

34. Consideration for Approval of the Authorizing and Delegating Resolution for the New Mexico Finance Authority Senior Lien New Mexico Department of Transportation Revenue & Refunding Bonds, Series 2020A, Preliminary Official Statement, Twenty-Third Supplemental Indenture of Trust and Related Documents, and Designed Officers. Adoption of a Resolution authorizing the issuance and sale of State Transportation Refunding Revenue Bonds, Series 2020A

The Finance Authority is issuing and selling Series 2020A Bonds in an amount to be determined, but not to exceed \$75,000,000 through a negotiated sale. The resolution authorizes the issuance of State Transportation Refunding Revenue Bonds on behalf of the NM Department of Transportation.

The resolution will authorize refunding of all or portions of (I) the Series 2010a-1 Bonds; (II) the Series 2010a-2 Bonds; and (III) the Series 2010B Bonds, and provides that the Preliminary Official Statement (“POS”) may be used for marketing the bonds, authorizes delegates to determine the final terms of the bonds within stated parameters, and authorizes the execution of the 23rd Supplemental Indenture of Trust and related documents.

Mr. Dan Opperman, Mr. Michael Zavelle, Mr. Jerry Kyle, Luis Carrasco and Mr. David Buchholtz reviewed and discussed the proposed resolution, POS, and related documents for the Series 2020A bonds. Member Kopelman will serve as the Board designee for the sale schedule for October 14, 2020.

Member Nathanson-Juris moved, seconded by Member Trujillo, for approval of the authorizing and delegating Resolution for the New Mexico Finance Authority Senior Lien New Mexico Department of Transportation Revenue & Refunding Bonds, Series 2020A, Preliminary Official Statement, Twenty-Third Supplemental Indenture of Trust and Related Documents, and Designed Officers. The motion passed 8 – 0 on a roll call vote

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)

35. Update on Activities. The Audit Committee did not meet in September; however, the full Board will participate in the FY2020 Audit Exit Conference with representatives from Moss Adams in Executive Session.

36. EXECUTIVE SESSION: Closed Session to Discuss Exit Conference for the FY2020 Audit, as Protected by the Confidentiality Provisions of the State Audit Act, Section 12-6-5, and allowed by NMSA 1978, Section 10-15-1(H)

Chair Miller entertained a motion for the NMFA Board of Directors to go into Executive Session to discuss matters pertaining to the Exit Conference for the FY2020 Audit, as protected by the Confidentiality Provisions of the State Audit Act, Section 12-6-5, and allowed by NMSA 1978, Section 10-15-1(H).”

Member Clark moved, seconded by Member Burke, to go into executive session to discuss matters pertaining to the Exit Conference for the FY2020 Audit, as protected by the Confidentiality Provisions of the State Audit Act, Section 12-6-5, and Allowed by NMSA 1978, Section 10-15-1(H).” The motion passed 8 – 0 on a roll vote.

Chair Miller 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 Pertaining to the Exit Conference for the FY2020 Audit, as Protected by the Confidentiality Provisions of the State Audit Act, Section 12-6-5, and Allowed by NMSA 1978, Section 10-15-1(H).”


37. Next Board Meeting

Thursday, October 22, 2020 – 9:00 a.m.
Location/Mode TBD
Santa Fe New Mexico

38. Adjournment

Member Clark moved, seconded by Member Burke, to adjourn the meeting. The motion passed 8 - 0.

The meeting adjourned at 1:00 p.m.


Secretary

10/23/20
Date