

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

Minutes of Board Meeting
October 22, 2020
Via Zoom
Santa Fe, New Mexico

Present:

| | |
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| A.J. Forte | Executive Director, NMML |
| Andrew J. Burke | Chief Financial Officer - NMSU |
| David A. Martinez | Public Member, Laguna, NM |
| Debbie Romero | Secretary, Dept. of Finance & Admin. |
| Judi Kahl | Designee for Secretary, NM Environment Dept. |
| Katherine Miller, Chair | Santa Fe County Manager |
| Leslie Nathanson-Juris, Secretary | Public Member, Santa Fe, NM |
| Matthew Lovato | Designee for Secretary, NMENRD |
| Steve Kopelman, Vice Chair | Executive Director, New Mexico Counties |

Absent:

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| Martin Abran Suazo | Public Member, Las Vegas, NM |
| Alicia Keyes | Secretary, NM Economic Dev. Dept. |

Finance Authority Staff:

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

Guests:

| | |
|----------------|-----------------------|
| Anna Harb | RingIR Inc. |
| Anne Browne | Sutin Thayer & Browne |
| Brad Patterson | Gilmore & Bell |

Bruce Swingle
Charles Harb
Craig Dussinger
Eric Davis
Eric Harrigan
Jerry Kyle, Jr.
Judy Bock
Kaeley Weimerskirch
Matthew Ennis
Michelle Atwell
Regina Gaysina
Richard Alesch
Scott Landrum
Steve Olson
Susen Ellis
Suzanne Bruckner

Sierra County Manager
RingIR. Inc.
Bank of America
McKinley Paper
RBC Capital Markets
Orrick, Herrington & Sutcliffe
Upper Hondo SWC
RBC Capital Markets
Build with Robots
Sierra County
RBC Capital Markets/Southwest SWA
Gila Regional
Gila Regional
LFC
BOKF
Sutin Thayer & Browne

1. Call to Order and Roll Call. Chair Katherine Miller called the meeting to order at 9:00 a.m. A roll call established a quorum. Chair Miller requested that Vice-Chair Kopelman preside over the meeting.

2. Approval of Agenda.

Member Kahl moved, seconded by Member Romero, to approve the agenda. The motion passed 9 – 0 on a roll call vote.

3. Approval of the September 24, 2020 Board Minutes.

Member Miller moved, seconded by Member Nathanson-Juris, for approval of the September 24, 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:

◆ *NMFA Audits*

Staff was notified by the Government Finance Officers Association that NMFA's 2019 Comprehensive Annual Financial Report received the GFOA's Certificate of Achievement for Excellence in Financial Reporting. According to the GFOA, the Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment.

The NMFA's FY2020 CAFR was submitted to the Office of the State Auditor on October 16, 2020 well in advance of the November 2, 2020 deadline.

◆ *Small Business Recovery Loan Fund (SBRLF)*

In the first ten weeks of the program, staff has approved 508 loans totaling \$23.73 million. As the program has stabilized, NMFA is approving an average of 30 applications per week totaling approximately \$1.4 million. The Governor's Office has been running radio and television ads throughout the State for approximately 6 weeks. NMFA is preparing to supplement the campaign

with digital media and print ads as well. Staff continues with outreach efforts including radio interviews, webinars, and e-newsletters.

◆ *Legislative Update*

Since the last Board Meeting, staff has presented to four separate interim legislative committees, primarily on the Small Business Recovery Act. The two presentations were included in the Board Book as information.

The 2021 Legislative Session will be a 60-day session with staff anticipating that a number of bills that impact NMFA will be introduced. Staff has been approached by legislators wanting to extend/modify the Small Business Recovery Loan Fund and to establish other new programs and initiatives. At this time, staff anticipates presenting for endorsement to the NMFA Legislative Oversight Committee three pieces of standard legislation: the PPRF authorization bill, the Water Project Fund authorization bill and the PPRF/GGRT appropriation bill.

In years past, each appropriation being sought from the Governmental Gross Receipts Tax was presented separately to the Legislature. Currently, seven programs are identified in statute as eligible to receive appropriations from GGRT: three programs operated by NM Environment Dept., three NMFA programs and the newest is the Dept. of Cultural Affairs new Cultural Affairs Infrastructure Fund which was added to statute last year. Last year, five different pieces of legislation appropriating GGRT were introduced, four of which passed the Legislature and were signed into law. The large number of bills was both distracting and confusing to all involved. As a result, staff intends to present this year an omnibus bill that combines the requests of NMED's Clean Water match, NMFA's Drinking Water State Match, NMFA's Local Government Planning Fund appropriation, and DCA's Cultural Affairs Infrastructure Fund appropriation. The maximum amount under law that can be appropriated by the Legislature for these purposes is 35% of prior year's GGRT, which totals approximately \$11.795 million. Staff has had initial conversations with agencies requesting an appropriation of Governmental Gross Receipts Tax.

◆ *Interim Loan, Grant and Participation Modifications:*

No modification requests were presented to NMFA since the last Board Meeting.

◆ *2021 NMFA Board and Committee Calendar:*

The proposed 2021 NMFA Board and Committee meeting schedules were included in the Board Book.

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.** A quorum of the Public Lending Committee met on October 16, 2020 via Zoom teleconference. The Committee reviewed and recommended approval of six projects from the PPRF.
6. **Consideration and Recommendation for Approval of South-Central Solid Waste Authority (Doña Ana County) – 2020 Landfill Gas System Loan – PPRF-5395.** Otero County ("County), The South

Central Solid Waste Authority (“Authority”) applied to the Public Project Revolving Fund (“PPRF”) for \$3,544,189 to finance the costs associated with a landfill gas system located in Las Cruces, NM.

The Authority is responsible for the Corralitos Landfill which experienced a regulatory exceedance during a surface emission monitor event in December 2019. The event triggered the need for a design and management plan for the collection and destruction of the greenhouse gases currently being produced and monitored at the Landfill. The Authority is required to install a gas collection system to meet new EPA emission standards. This system must be functioning in 13 months; without the system the facility can no longer operate.

The Authority is contracting with the Jacobs Engineering Group, who in turn will contract with Parkhill Smith. The project involves design, Title V permitting, and site investigation to name a few. Gas pipes will be sized to develop landfill gas models, prepare a management plan, and NMED air quality permit.

The City of Las Cruces and Doña Ana County are responsible for managing garbage and recyclables throughout the area, including the Las Cruces public schools, the Cities of Sunland Park and Truth or Consequences, and most recently added, the White Sands Missile Range.

The Authority will pledge its Net System Revenue of the Solid Waste Authority as repayment.

The 2019 audit received an unmodified opinion with 2 findings neither a material weakness nor a significant deficiency.

Member Forte moved, seconded by Member Kahl, for approval of South Central Solid Waste Authority Project PPRF-5395. The motion passed 9 – 0.

- 7. Consideration and Recommendation for Approval of Sierra County – 2020 Equipment Loan – PPRF-5391.** Sierra County (“County”), on behalf of the Regional Dispatch Authority (“Authority”), a component unit of Sierra County, applied to the Public Project Revolving Fund (“PPRF”) for \$651,524 to modernize and replace their communications equipment.

The Authority was created by a Joint Powers Agreement between Sierra County, the Cities of Truth or Consequences and Elephant Butte, and the Village of Williamsburg.

The Authority plans to move its 911 Dispatch Center to a new location provided by the County in the new County building. The upgrade will replace all of the 20-year-old emergency radio system with new radios, radio tower, radio shelter, new cabling, IT system, security access control, security surveillance systems, new filing systems, IT racking systems, and static free tiles installed for all electronics.

The County will pledge the four increments of the County Emergency and Medical GRT as repayment for the loan.

The 2019 audit received an unmodified opinion with 2 findings including a previous significant deficiency. The County submitted a corrective action plan.

Member Martinez moved, seconded by Member Forte, for approval of Sierra County Project PPRF-5391. The motion passed 9 – 0.

- 8. Consideration and Recommendation for Approval of Upper Hondo Soil and Water Conservation District (Lincoln County) – 2020 Building and Land Purchase Loan – PPRF-5392.** The Upper Hondo Soil and Water Conservation District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$300,000 to acquire, construct, and improve a building.

Currently the District's office is comprised of 4 small offices in a 3-bath doublewide building sited on USDA Forest Service land under a special use permit. The District also has a two-car garage and a small chemical storage shed which restricts parking during local fires.

The District decided to purchase the property located at 267 Main Road, Capitan, New Mexico. The building is located on 8.5 acres consisting of a 3,120 sq. ft site-built house, with 3 bedrooms, 2.5 baths, two large areas for meeting rooms, and separate garage with carport providing plenty of area for the board to conduct their monthly board meetings, annual meetings, hands on classes as needed, and outdoor demonstration areas for various types of conservation work

The 2019 audit received an unmodified opinion with 2 findings neither a material weakness nor a significant deficiency.

Member Forte moved, seconded by Member Miller, for approval of Upper Hondo Soil and Water Conservation District Project PPRF-5392. The motion passed 9 – 0.

- 9. Consideration and Recommendation for Approval of Gila Medical Center (Grant County) 2021 Cigarette Tax Revenue Bond 2021 Refunding – PPRF-5196.** The Gila Regional Medical Center applied to the Public Project Revolving Fund (“PPRF”) for \$2,324,967, to refund Series 2013 Cigarette Tax Bonds issued under PPRF-3018 and callable on June 1, 2019.

New Mexico Laws of 2006, Chapter 89, authorized the New Mexico Finance Authority (“NMFA”) to issue Cigarette Tax Revenue Bonds to finance regional cancer treatment centers in Class B counties, with bond proceeds available for designing, constructing, equipping and furnishing additions and improvements to regional cancer treatment centers.

The GRMC requested financing pursuant to HB580, in which the NMFA was authorized to analyze the Cigarette Tax Cancer Treatment Fund for capacity and financing options to fund cancer treatment projects for the Hospital. The Chairman of the Hospital Board certified the need for funding, and all proceeds are to be used solely for cancer treatment related activity including the de-installing of an old linear accelerator, the purchase and installation of a new linear accelerator as well as costs associated with renovation to accommodate the new accelerator.

Under current market conditions, the refunding is expected to achieve actual savings for the Rural County Cancer Treatment Fund of approximately \$338,508 through maturity, which represents net present value savings of more than 14.58% over the life of the loan.

Staff has structured cigarette tax bonds to withstand an annual 4% decline in generated pledged revenue. The structure of the proposed bonds maintains the same decline in debt

- 10. Consideration for approval of Authorizing Resolution for the Issuance and Sale of New Mexico Finance Authority Rural County Cancer Treatment Center/Cigarette Tax Refunding Revenue Bonds, Taxable Series 2020A, for the Refunding and Redemption of New Mexico Finance Authority's Outstanding rural County Cancer Treatment Center/Cigarette Tax Revenue Bonds, Taxable Series 2013.** Ms. Suzanne Bruckner presented the authorizing and delegating resolution for the issuance and sale of the NMFA Rural County Cancer Treatment Center/Cigarette Tax Revenue Bonds, Series 2020A, in an aggregate principal amount not to exceed \$2,324,967 for the purpose of providing funds to refund and redeem the NMFA's outstanding Rural County Cancer Treatment Center/Cigarette Tax Refunding and Revenue Bonds (Gila Regional Medical Center Project), Taxable Series 2013.

The resolution provides the final terms of the Series 2020A bonds including, without limitation, the dates, maturities, redemption provisions, interest rates, sale prices and payment terms; providing for the payment of the principal of and interest on the Series 2020A bonds from the fifty-three hundredths percent (.53%) distribution of cigarette tax revenues made pursuant to section 7-1-6.11(e) NMSA 1978 and the pledge of such revenue by the NMFA; providing for the form, execution and other details concerning the bonds and the funds appertaining thereto; providing for the purchase of the Series 2020A bonds with moneys in the PPRF or proceeds of PPRF bonds; ratifying action previously taken in connection therewith; and repealing all action in conflict herewith; and authorizing the taking of all other actions necessary to effect the transactions contemplated by this resolution; and related matters.

Member Forte moved, seconded by Member Burke, for approval of agenda items 9 and 10 regarding Gila Medical Center Project PPRF-5196 and authorizing Resolution for the issuance and sale of NMFA Rural County Cancer Treatment Center/Cigarette Tax Refunding Revenue Bonds, Taxable Series 2020A, for the refunding and Redemption of NMFA outstanding Rural County Cancer Treatment Center/Cigarette Tax Revenue Bonds, Taxable Series 2013. The motion passed 9 – 0 on a roll call vote.

- 11. Consideration and Recommendation for Approval of Gila Regional Medical Center (Grant County) – 2021 Cigarette Tax Revenue Bond – PPRF-5396.** The Gila Regional Medical Center ("GRMC") applied to the Public Project Revolving Fund for \$1,182,350 to purchase computer hardware, servers, cabling, software licenses and related services necessary for the implementation and maintenance of the electronic health records ("ER") system, cancer patient treatment, regulatory compliance and reporting, and to design, construct, renovate, equip and furnish additions and improvements to the chemotherapy intravenous preparation clean room.

The cigarette tax bonds will be repaid from the .53% of the cigarette tax distribution made to the NMFA pursuant to Section 7-1-6.11 NMSA 1978 of the Act. Based on NMFA's credit analysis, the accumulation of excess rural county cancer treatment revenue has grown to where it can accommodate funding GRMC's request without impairing the existing cigarette tax revenue bonds outstanding.

Staff structured the cigarette tax bonds to withstand an annual 4% decline in generated pledged revenue. The structure of the proposed bonds maintains the same decline in debt service. There have been proposed legislative changes to the cigarette tax revenues in recent years and may continue into the

future, but the Legislature has been mindful to hold existing beneficiaries harmless in the past.

The 2019 audit received an unmodified opinion with 6 findings including 3 prior year material weaknesses. The GRMC provided a corrective action plan.

12. Consideration for approval of Authorizing Resolution for the Issuance and Sale of New Mexico Finance Authority Rural County Cancer Treatment Center/Cigarette Tax Revenue Bonds, Taxable Series 2020B, for the Purchase of Capital Projects Including IT Equipment and Design and Improvements to the Chemotherapy Preparation Clean Room.

Ms. Suzanne Bruckner reviewed the Resolution authorizing the issuance and sale of the NMFA Rural County Cancer Treatment Center/Cigarette Tax Revenue Bonds, Taxable Series 2020B (Gila Regional Medical Center Project) in a principal amount not to exceed \$1,182,350 or the purpose of providing funds to purchase Computer Hardware, Servers, Cabling, Software Licenses and Related Services Necessary for Implementation of an Electronic Health Records System, Cancer Patient Treatment, Regulatory Compliance and Reporting; and to Design, Construct, Renovate, Equip and Furnish Additions and Improvements to the Chemotherapy Intravenous Preparation Clean Room for the Gila Regional Medical Center in Grant County, New Mexico. The Resolution provides the final terms of the Series 2020B Bonds, including, without limitation, the Dates, Maturities, Redemption Provisions, Interest Rates, Sale Prices and Payment Terms; provides for the payment of the Principal and Interest on the Series 2020B Bonds from the Fifty-Three Hundredths Percent (.53%) Distribution of Cigarette Tax Revenues Made Pursuant to Section 7-1-6.11(E) NMFA 1978 and the pledge of such Revenue by the NMFA; providing for the form, execution and other details concerning the Bonds and the Funds appertaining thereto; providing for the purchase of the Series 2020B Bonds with moneys in the PPRF or proceeds of PPRF Bonds; ratifying action previously taken in connection therewith; and repealing all action in conflict herewith; and authorizing the taking of all other actions necessary to effect the transactions contemplated by this Resolution; and related matters.

Member Nathanson-Juris moved, seconded by Member Forte, for approval of agenda items 11 and 12 concerning Gila Regional Medical Center Project PPRF-5396 and approval of authorizing resolution for the issuance and sale of NMFA Rural County Cancer Treatment Center/Cigarette Tax Revenue Bonds, Taxable Series 2020G, for the purchase of capital projects including IT equipment and design and improvements to the Chemotherapy Preparation Clean Room. The motion passed 9 – 0 on a roll call vote.

13. Consideration and Recommendation for Approval of Las Vegas City Schools (San Miguel & Mora Counties) – Series 2021 General Obligation Bond – PPRF-5390. The Las Vegas City School District No. 2 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,750,000 for school infrastructure.

In November 2017, the District received voter approval of \$11,000,000 for district-wide acquisition, construction and renovations to school property, purchase or improve school grounds, purchase computer software and hardware for student use in public schools; provide matching funds for capital outlay projects valid for 4 years.

The District will issue General Obligation Bonds for \$2,750,000, 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 6 findings neither a material weakness nor a significant deficiency.

Member Burke moved, seconded by Member Kahl, for approval of Las Vegas City Schools Project PPRF-5390. 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.*)

14. Update on Activities. The Economic Development Committee met via Zoom teleconferencing on October 13, 2020 with a quorum of members present. In addition to reviewing the Private Lending Portfolio Report, staff presented the following items:

1. *Essential Services Working Capital Program* - Staff presented one Essential Services Working Capital Program application. The Committee reviewed the item and recommended approval to the NMFA Board.
2. *New Markets Tax Credit – Small Loan Pool* – Staff presented a project that met the eligibility criteria of the Small Loan Pool. The Committee reviewed the application and recommended approval to the NMFA Board.
3. *New Markets Tax Credit* – Staff presented the Preliminary Approval for the NMTC project that was ranked #1 in Round 29, the most recent competitive application process.
4. *New Markets Tax Credit – Finance New Mexico, LLC Administration:*
 - a. Staff presented a request to apply for an additional \$100 million of NMTC allocation from the Community Development Financial Institutions (“CDFI”) Fund.
 - b. Staff presented a self-evaluation of Finance New Mexico, LLC’s compliance with the Treasury Department’s non-discrimination and equal opportunity statutes, regulations and executive orders.
 - c. Staff reported that it would be recommending two individuals for appointment to Finance New Mexico Advisory Board filling two vacancies.

15. Consideration and Recommendation for Approval of RingIR, Inc. (Bernalillo County) -- ES-5397. RingIR, Inc., is requesting from the Essential Services Working Capital Program (“ESWCP”) a six-month Line of Credit (“LOC”) for \$58,300 to support operations during the COVID-19 crisis with operations defined as salaries, rent, inventory and other operational costs.

The LOC will not exceed the amount of \$58,300 and 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%. 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.

In collaboration with UNM Emergency Medicine, Los Alamos National Laboratories (“LANL”), and Johns Hopkins Bloomberg School of Public Health, RingIR has been using their runtime optical spectrometer technology to investigate Breath Biomarkers via Breath Analysis. This specific scientific research is being performed with the intention of detecting the virus via breath analysis to assist with the fight against COVID-19.

RingIR has been experiencing delays in payments from the different organizations that provide revenues to their business. The slow payments have also caused issues with continuing to pay their employees in a timely manner. RingIR did get approved for the PPP loan on April 15, 2020 for \$123,504 to ensure they did not have to lay off any of their employees.

This will be a direct obligation of RingIR. In addition to the guarantees from RingIR, Charles and Anna Harb will each provide an unlimited personal guaranty for the loan. The proposed commercial revolving line of credit will be secured by and payable from accounts receivable of RingIR. Account receivables are valued at \$115,000 as of September 16, 2020 and NMFA will be the first lien in UCC filing for this specific financing request.

Member Romero moved, seconded by Member Nathanson-Juris, for approval of RingIR, Inc. Project ES-5397. The motion passed 9 – 0 on a roll call vote.

16. Consideration and Recommendation of Approval of Build with Robots (Bernalillo County) – Small Loan Pool - SLP-5337. Staff recommends approval of a Small Loan Pool loan of \$2,000,000 to Build with Robots (“BWR”).

This transaction will be considered for the first \$8 million Small Loan Pool. The \$2,000,000 loan to BWR 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.

The loan will carry the personal guarantees of shareholders Matthew Shields Ennis and Christopher Dennis Ziomek. The loans will be secured by a first priority lien on all of the assets of BWR. The assets include, but are not limited to, the materials BWR uses to build the robots and the completed robots BWR either sells to third parties or uses to provide services to businesses. The robots are valued at \$75,000 each. If sold, BWR would sell each robot at approximately \$180,000 with a \$1,500 /month service contract for upgrades, software improvements and other maintenance requirements.

The assets also include the service contracts and the maintenance contracts, and the amounts paid to BWR under those contracts. Under the service contracts BWR uses Robots to provide services (for example, cleaning and disinfecting services) to third parties. Under the maintenance agreements, BWR maintains and updates the software that operates the robots that are sold to third parties. The service contracts will be 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.

Build with Robots was created in 2017 and has shown an increase in inventory asset year after year due to the company beginning its research and gaining investments to get the first phases of robots built. The \$350,000 in loans from shareholders are part of a convertible note created by investors. A total of \$1,000,000 was raised by investors and closed out on April 15, 2020 and is now considered equity

Member Romero moved, seconded by Member Nathanson-Juris, for approval of Build with Robots Project SLP-5337. The motion passed 9 – 0 on a roll call vote.

17. Consideration and Recommendation for approval of McKinley Paper Phase II (McKinley County) – Project NMTC-5367. Staff recommends preliminary approval of the New Markets Tax Credit (“NMTC”) financing for McKinley Paper Company Portion of Business for \$11,640,000 with final approval subject only to NMTC documentation acceptable to the NMFA.

McKinley Paper Company is the largest manufacturer of recycled cardboard and containerboard in North America with the company's largest manufacturing facility located in Prewitt, NM. McKinley's primary customers are e-commerce retailers/wholesalers and manufacturers who use McKinley's containerboard in their packaging products.

Phase II of the Project will purchase steam generation and related equipment that has become extremely critical due to the pending closing of the Escalante Coal Plant scheduled to close by December 2020. The coal plant currently provides the facility with all of its steam. The project will provide the steam needed to keep the plant operating. The project will also include water conservation measures that are now possible with the closure of the coal plant, which will allow McKinley to recharge the aquifer.

This will be the second NMTC investment at the McKinley Paper facility. The first transaction was closed with Capital One as the investor. This transaction will have Wells Fargo as the investor.

Pursuant to policy, Finance New Mexico’s Exit Fee (the amount paid to Finance New Mexico at the end of the compliance period) is equal to the amount of the “B Note” less identified performance measurement discounts noted below of up to 75% in total, less the costs of NMTC legal fees of no more than \$250,000. Finance New Mexico provides all borrowers a 20% reduction in the “B Note” for timely reporting. Because this is a “non-metro” deal, Finance New Mexico will provide an additional 5% reduction in the “B Note”. Staff recommends an additional 50% reduction based on metrics identified in its application. Specifically, staff recommends the following Economic Development Threshold for McKinley Paper Company:

- 1) The Exit Fee shall be reduced by an amount equal to 20% if the company eliminates 100% use of evaporative ponds from its water treatment process by installing a state-of-the-art Reverse Osmosis system. (20% reduction)
- 2) The Exit Fee shall be reduced by an amount equal to 15% if through the end of the NMTC Compliance Period, McKinley Paper Company will hire at least 5 employees from the Escalante Plant. (15% reduction)
- 3) The Exit Fee shall be reduced by an amount equal to 15% if through the end of the NMTC Compliance Period, McKinley Paper Company creates 15 jobs at the Prewitt facility. (15% reduction)

The \$11,640,000 loan to McKinley Paper Company Portion of Business will be made by Finance New Mexico-Investor Series XXVIII, LLC with capital provided by Well Fargo Community Investment Holdings, LLC, and Bio Pappel, the parent company to McKinley Paper Company will provide the leverage the transaction. At closing, the A Note will be unsecured, and the B Note will be secured by a reserve account in an amount of the “B” Note Exit Fee. The amount of the Exit Fee based on the most recent model is \$534,200.

Member Kahl moved, seconded by Member Romero, for approval of McKinley Paper Phase II Project NMTC-5367. The motion passed 9 – 0 on a roll call vote.

- 18. Request to Apply to the Community Development Financial Institutions Fund for New Markets Tax Credit Allocation.** Request to adopt the resolution authorizing Finance New Mexico, LLC, to apply to the Community Development Financial Institutions Fund (“CDFI”) for up to \$100 million additional New Markets Tax Credit (“NMTC”) allocation.

To date, NMFA, on behalf of Finance New Mexico, has applied for allocation eight times and has been successful in securing six allocation awards totaling \$321 million. Finance New Mexico has closed 26 transactions totaling \$266 million and is currently recommending prioritization of five qualified applications totaling more than \$43.5 million.

On September 22, 2020, the CDFI announced the terms of its 2020 Allocation Round of the NMTC Program with applications due on November 16, 2020 at 5pm ET. Based on the Notice of Allocation Availability, the CDFI is expected to award \$5 billion in NMTC allocation, with the maximum award capped at \$100 million. This is the only allocation authorized by the Taxpayer Certainty and Disaster Tax Relief Act of 2019. Given the demand for the program statewide, the successes achieved with the program to date, and the uncertainty surrounding any future Congressional authorizations, staff recommends that the Board authorize the submission an application for allocation.

Member Kahl moved, seconded by Member Forte, for approval of the resolution authorizing Finance New Mexico LLC to apply to the CDFI for up to \$100 million NMTC allocation. The motion passed 9 – 0 on a roll call vote.

- 19. Consideration of Appointment of Members to Finance New Mexico, LLC, Advisory Board.** Marquita Russel presented staff recommendation naming Dr. Sandra Taylor Sawyer and Dr. Neil Bowen to the Finance New Mexico, LLC, Advisory Board to fill two vacancies.

Member Romero asked about the process utilized in identifying individuals for recommendation to the Board saying she is not comfortable voting without additional information. Ms. Russel said staff vetted the individuals presented for appointment with both individuals having outstanding qualifications.

Member Miller moved, seconded by Member Forte, for approval of appointment of Dr. Sandra Taylor Sawyer and Dr. Neil Bowen to the Finance New Mexico Advisory LLC Advisory Board. 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.*)

- 20. Update on Activities.** A quorum of the Finance & Disclosure Committee met on October 14, 2020 via Zoom teleconference. Staff presented the investment report for period ending September 30, 2020 with a detailed discussion on the fund portfolios and compliance report. The Committee also reviewed the NMFA approved broker/dealers annual report. NMFA has an approved broker/dealer list in which the NMFA can utilize for trading on Bloomberg. Only approved brokers/dealers are enabled/accessible by NMFA Investments for trading.
- 21. Presentation of the Investment Report for the Period Ending September 30, 2020.** The NMFA Investment report was presented to the Finance & Disclosure Committee on October 14, 2020. As of September 30, 2020, the NMFA has total invested funds of \$816.7 million of which \$764.5 million is NMFA funds and \$52.2 million in NMDOT. The NMFA portfolios are grouped by types of funds and benchmarks using 0-5 year for the Debt Service Reserve funds, a 0-3 year for the Operating funds, a 0-1 year for the Common Debt Service, Supplemental Debt Service and Program Funds, and finally a 0-3 month T-Bill index for the Debt Service type funds. The overall Book Yield in the portfolio is .858% with a duration of .793. Net income for the quarter ending Sept. 30, 2020 was \$1,847,076 a 53% decrease from this time last year, which is expected as current market rates are extremely low and as we reinvest funds at these lower rates.
- 22. Annual Review and Report of NMFA Approved Broker Dealers.** Mr. Mark Lovato, Managing Director, Investments, presented the annual review of approved Broker/Dealer list for NMFA trading activity as required by the Investment Policy.

NMFA has an approved broker/dealer list utilized for trading on Bloomberg with only approved brokers/dealers enabled/accessible by NMFA Investments for trading. Mr. Lovato reviewed the Broker Dealer list with no recommended additions. Bank of America Merrill has served as a broker since 2010; however, is on hold pending obtaining new coverage and broker reassignment.

- 23. Report on NMDOT 2020A Bond Sale.** Mr. Michael Zavelle reported on the NMDOT 2020A Bond Sale. Ms. Russel briefly noted the NMDOT senior lien tax-exempt 2020A series refunding bonds sold on October 14, 2020 in the par amount of \$63,195,000 with \$84,950,000 in non-stock orders received from institutional investors. Mr. Michael Zavelle will present a full report at the November meeting.

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).*)

- 24. Update on Activities.** A quorum of the Audit Committee met on October 14, 2020 via Zoom teleconference. Items discussed included:
1. *EnABLE Update:* Staff reported that this project is about to complete the migration from MITAS to EnABLE of last few remaining programs that still depend on MITAS, Behavioral Health, Primary Care, and PPRF. Uploading and reconciliation for these programs is expected to be complete in early November.
 2. *August Financial Reports:* The Committee reviewed the financial statements as of August 31,

2020, which staff presented in a new format. The new format compares the end-of-month balance sheet to that same date last year and the income statement to the same month last year as well as the year-to-date results this year to the same period last year. Staff reported that in addition to lower operating costs, the most significant impact from the COVID-19 health emergency so far is the launch of the Small Business Revolving Loan Fund. As of August 31, 2020, there was a balance of \$93.4 million in this loan fund, after having funded \$5.6 million worth of loans and paid \$1.0 million in administrative support.

3. *Accounting for the SBRLF*: Staff presented an analysis of the accounting methodology for the SBRLF. Unlike the revolving or grant pass-through nature of NMFA's other funds, the basic structure of the SBRLF is that of a one-time infusion of restricted cash from the SIC to be loaned to borrowers. NMFA's role is that of a service provider charging a 1% fee for processing and loan servicing. All repayments are remitted back to the SIC. Expenditures are Admin Fees paid to NMFA. Principal and Interest receivables are equal to liabilities due to SIC for the same amount.

25. Next Board Meeting

Thursday, November 19, 2020 – 9:00 a.m.

Location/Mode TBD

Santa Fe New Mexico

26. Adjournment. The meeting adjourned 11:50 A.M.

Leslee Catherine Willis
Secretary

11/19/2020

Date