

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

Minutes of Board Meeting
December 17, 2020
Via Zoom
Santa Fe, New Mexico

Present:

A.J. Forte	Executive Director, NMML
Andrew J. Burke	Chief Financial Officer - NMSU
David A. Martinez	Public Member, Laguna, NM
Jon Clark	Designee for Secretary, NM Economic Dev. Dept
Judi Kahl	Designee for Secretary, NM Environment Dept.
Katherine Miller, Chair	Santa Fe County Manager
Leslie Nathanson-Juris, 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, New Mexico Counties

Finance Authority Staff:

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:

Anne Browne	Sutin Thayer & Browne
Chelsea Ashcraft	Children's Choice Child Care Services, Inc.
Craig Dussinger	Bank of America
Daniel Slavin	Buffalo Bar, LLC
Emily Gojkovich	Buffalo Bar, LLC

Eric Harrigan
Jill Giltmaker
Johanna Gilligan
Kaeley Weimerskirch
Mike Ashcraft
Pam Ortiz
Regina Gaysina
Rick Martinez
Sara Elliott
Steve Olson
Susen Ellis
Suzanne Bruckner

RBC Capital Markets
Children's Choice Child Care Services, Inc.
Children's Choice Child Care Services, Inc.
RBC Capital Markets
Children's Choice Child Care Services, Inc.
Virtue Najjar
RBC Capital Markets
The Apricot Tree
Children's Choice Child Care Services, Inc.
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.

2. Approval of Agenda.

Member Suazo moved, seconded by Member Trujillo, to approve the agenda. The motion passed 11 – 0 on a roll call vote.

3. Approval of the December 01, 2020 Board Minutes.

Member Suazo moved, seconded by Member Nathanson-Juris, for approval of the December 01, 2020 Board minutes. The motion passed 11 – 0 on a roll call vote.

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

- ◆ *Small Business CARES Relief Grants:* On Monday, December 7, 2020, NMFA entered into a Memorandum of Agreement with DFA describing the roles and responsibilities of each agency relative to the administration of the program. Shortly thereafter, the NMFA opened the application for the grant program. The first round of the federally funded grants closed at noon on Thursday, December 10, 2020 with almost 8,000 applications received totaling approximately \$98.6 million of which approximately 40% of the submittals were from rural businesses. Currently, NMFA has a team of approximately 20 reviewers processing grants.
- ◆ *Legislative Update:* Staff presented three pieces of legislation for endorsement to the New Mexico Finance Authority Oversight Committee at the November 30, 2020 meeting. These three bills -- the PPRF Authorization Bill, the Water Trust Board Authorization bill and the PPRF Appropriation bill -- received the unanimous Committee support.
- ◆ *Small Business Recovery Loan Fund:* As of December 10, 2020, NMFA had approved approximately 700 Small Business Recovery Fund loans totaling approximately \$32.1 million with the application period closing on December 31st. At this time, staff anticipates that legislation will be presented during the session that expands and extends the loan.
- ◆ *Interim Loan, Grant and Participation Modifications:* No modification requests were presented to NMFA in November.

Report from the Public Lending Committee. (*Committee members are Mr. A.J. Forte, Chair; Acting Secretary Debbie Romero (Marcos Trujillo), 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 December 9, 2020 via Zoom teleconference. Items discussed included three Local Government Planning Fund applications, six PPRF loan applications, and an update on the deferred financing plan for the Union County General Hospital Loan. The Committee reviewed a revised request for a Drinking Water loan and presented a request to amend three Water Trust Board awards from 40% loan/60% grant to 10% loan/90% grant. The Committee recommended approval of the projects with those under \$500,000 placed on the Consent Calendar.
6. **Consideration and Recommendation for Approval of Rio Lucio Mutual Domestic Water Consumers Association (Taos County) – Water Asset Management Plan – PG-5469.** The Rio Lucio Mutual Domestic Water Consumers Association (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a water asset management plan to include the current state of assets, desired level of service, life cycle costs, long-term funding strategy, and identification of assets critical to sustained performance.
7. **Consideration and Recommendation for Approval of Cibola County – Local Economic Development Act Plan – PG-5470.** Cibola County (“County”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund an Economic Development Plan that will assist the County in planning activities to aid in economic recovery after the closure of regional employers and economic impacts brought on by the COVID-19 pandemic.
8. **Consideration and Recommendation for Approval of Canon Mutual Domestic Water Consumers & Sewage Works Assoc. (Sandoval County) – Preliminary Engineering Report – PG-5471.** Canon Mutual Domestic Water Consumers and Sewage Works Association (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a Preliminary Engineering Report (“PER”) that will address the water supply and distribution problems of the Association whose proposed project includes construction of a new infiltration gallery and 6-inch waterline.
9. **Consideration and Recommendation for Approval of Catron County – 2021 Fire Equipment Loan – PPRF-5465.** Catron County (“County”), on behalf of the Cruzville, Apache Creek, Aragon Fire Department (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for \$76,000 to purchase a new Pumper/Tanker apparatus.
10. **Consideration and Recommendation for Approval of Town of Springer (Colfax County) – 2021 Infrastructure Improvements – PPRF-5467.** The Town of Springer applied to the Public Project Revolving Fund (“PPRF”) for \$40,000 to finance the infrastructure and costs related to roof repairs to the Town Hall Building which houses the administrative offices and Police Department.

The Town will pledge the first increments (0.25%) of its Municipal Gross Receipts Tax (“MGRT”) as security and repayment of the loan. Staff utilized FY2020 MGRT revenues resulting in \$29,586 to determine debt service coverage of 2.09xs. The Town is also receiving Capital Outlay funds totaling

\$168,000 for the project; the Fire Marshall approved using \$59,000 of Fire Protection Funds for the project.

The 2019 audit received an unmodified opinion with four findings including one significant deficiency. The Town submitted a corrective action plan.

11. Consideration and Recommendation for Approval of City of Santa Rosa (Guadalupe County) – 2021 Equipment Loan – PPRF-5468. The City of Santa Rosa (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$73,154 to purchase two new police vehicles and respective equipment.

The City will pledge State Law Enforcement Protection Funds as the revenue source. The City receives an annual distribution of \$23,600.

The 2019 audit received an unmodified opinion with eleven findings including two prior year significant deficiencies.

Member Forte moved, seconded by Member Suazo, for approval of Agenda Items 6 – 11. The motion passed 11 – 0.

12. Consideration and Recommendation for Approval of Socorro Consolidated Schools (Socorro County) – 2021 General Obligation Bond – PPRF-5466. The Socorro Consolidated Schools applied to the Public Project Revolving Fund (“PPRF”) for \$1,000,000 for school infrastructure.

In February 2017, the District received voter approval of \$5,000,000 for school improvements, computer software and hardware purchases, and matching funds for capital outlay projects funded pursuant to the Public-School Capital Outlay Act.

The District will issue General Obligation Bonds for \$1,000,000 which the NMFA will purchase with the PPRF.

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

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

13. Consideration and Recommendation for Approval of Sandoval County – 2021 GO Library Bonds Loan – PPRF-5474. Sandoval County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,975,00 for school improvements.

The County received voter approval in November 2020 for \$1,975,000 for various library projects valid for four years.

The County will issue General Obligation Bonds \$1,975,000 which the NMFA will purchase with the PPRF structured with a short five-year term.

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

14. Consideration and Recommendation for Approval to Modified Loan Agreement for City of Grants (Cibola County) – Additional Pledged Revenue and Contingent Intercept PPRF-4816. Staff recommends modifying the loan agreement for Project PPRF-4816 by adding the Municipal Gross Receipts Tax (“MGRT”) as an additional pledged revenue and contingent intercept.

The Board approved Project PPRF-4816 loan for the City of Grants (“City”) in January 2019 for \$5,523,326 for various water projects. The loan’s required debt service coverage ratio is 130% or 1.30xs.

During the closing phase of a new 2020 Water Trust Board (“WTB”) loan Project WPF-5086 staff reanalyzed the pledged revenues, expenses, and the current debt of the Net System Revenue of the Joint Utility (“NSR”), the approved pledged revenue for the new WTB loan. Staff found that the NSR of the Joint Utility Fund, per State Statute, cannot include the Solid Waste Fund for revenue pledge purposes. The NSR as shown in the City’s audits includes the Solid Waste Fund.

These updates to the credit and debt analysis identified that the City does not have the capacity to take on more debt in that fund, including the WPF-5086 loan. Staff further discovered in the NSR reanalysis that the senior lien Project PPRF-4816 loan falls below the required 1.30xs debt service coverage ratio with or without the additional WTB debt.

To remediate the shortfall of the debt service coverage requirement of 1.30xs, staff analyzed the MGRT of the first and second increments as an additional pledged revenue and credit enhancement to the loan. The added pledged revenue of the MGRT as a contingent intercept will bring Project PPRF-4816 loan into debt service coverage compliance per the loan agreement and provide a credit enhancement to the loan.

15. Update for Deferred Financing Plan for Union County on behalf of Union County General Hospital – PPRF-4931, PPRF-3384, and PPRF-3145. Update on Deferred Financing Plan for Union County (“County”) on behalf of Clayton Health Systems, Inc., dba Union County General Hospital for Projects PPRF-3145, PPRF-3384, PPRF-4931 loans

On April 27, 2020, the New Mexico Finance Authority (“NMFA”) and the County on behalf of the Hospital, signed a Letter Agreement for Projects PPRF-3145, PPRF-3384, and PPRF-4931. The Letter Agreement addressed the stated concerns of the Hospital specifically, “to respond to (i) a substantial increase in expenses as a result of the expected need to care for members of the public with 2019-CoVid, (ii) a reduction in revenues from the suspension of elective procedures due to 2019-CoVid, (iii) the potential increase in days accounts receivable, due to the impact of the Coronavirus Pandemic on the staff of third-party payors, including but not limited to Medicare and Medicaid, and (iv) the need to maintain financial flexibility in this time of uncertainty.”

The Hospital utilized the DSRF and the accumulated funds in the debt service accounts to make the full principal and interest payment due in May 2020 for the respective loans. The Hospital resumed making debt service payments in June 2020 prior to the Letter Agreement’s requirement. The Hospital also

submitted a May 2020 monthly financial statement to the NMFA.

16. Consideration and Recommendation for Revised Approval of Village of Los Lunas (Valencia County) – North Water Line Phase 1 – DW-5130. The City of Los Lunas (“City”) applied to the Drinking Water Revolving Loan Fund (“DWRLF”) for \$4,279,370 to complete construction phase I of the project as escalating costs resulted in higher bids than the original amount budgeted.

Project DW-5130 was approved for \$3,201,658.57 of which \$800,414.57 was forgiven and \$2,401,244 was to be repaid. The project included installation of a second river crossing waterline from the NM 6 bridge crossing the Rio Grande and all related appenditures. The project will also seek to meet goals identified in the 2014 Los Lunas Water Master Plan addressing available peak hour fire flows to the commercial area on the east side which fall short of the flows recommended in the Plan.

The Village will pledge Net Systems Revenue of the Joint Utility which consists of Water and Sewer net income as the pledged revenue towards the loan.

17. Consideration and Recommendation for Revised Approval of City of Grants 2020 Water Trust Board - (Cibola County) (WPF-5086, WPF-5095, and WPF-5096). The City of Grants (“City”) applied to the Water Trust Board for revised approval of Projects WPF-5086, 5095, and 5096.

The Board approved three WTB loans for the City, each for various water improvement projects to enhance the quality of life and safety for residents in the area.

Staff found that the NSR of the Joint Utility Fund, per State Statute, cannot include the Solid Waste Fund for revenue pledge purposes. The updated credit and debt analysis also uncovered additional debt in the NSR. These updates found that the City does not have the capacity to take on more debt in that fund, specifically the WPF-5086 loan. Staff also discovered in the NSR reanalysis that the senior lien PPRF-4816 loan falls below the required 1.30xs debt service coverage with the additional debt.

The additional debt in the NSR does allow for the modification of the three projects’ loan/grant structure from a 60/40 loan/grant to a 90/10 loan grant structure. The 60/40 loan/grant structure was based on the initial credit and debt analysis having capacity to support additional debt. With the added debt included in the analysis and the NSR’s capacity now limited, WTB funding permits a modification to the loan/grant component. This revision increases the grant portion of the City’s three loans and reduces the loan amounts. The loan/grant structure change will save the City over sixty-six thousand dollars (\$66K) a year in debt service.

Staff recommended modifying the loans as follows:

WPF-5086 loan: Change the approved pledged revenue from the NSR of the Joint Utility to the MGRT and revise the loan/grant structure from a 60/40 loan/grant to a 90/10 loan grant structure; and

WPF-5095 and WPF-5096 loans: Revise the loan/grant structure from a 60/40 loan/grant to a 90/10 loan grant structure.

Member Suazo moved, seconded by Member Forte, for approval of agenda items 12 – 17. The motion passed 11 – 0 on a roll call vote.

Member Martinez departed the meeting at 10:49 a.m. for a prior commitment.

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.*)

18. Update on Activities. The Economic Development Committee met via Zoom on Tuesday, December 8, 2020. In addition to reviewing the Private Lending Portfolio Report, the Committee recommended approval of the following items:

- 1. Essential Services Working Capital Program** - Staff presented one Essential Services Working Capital Program application.
- 2. New Markets Tax Credit – Small Loan Pool** – Staff reported that Small Loan Pool project Tucumcari Bio Electric Corp is unable to meet the closing deadline and staff has had to find a replacement project for the small loan pool. Staff presented a new project and presented a request to modify the loan amounts of three projects to utilize the amount freed up with the withdrawal of Tucumcari Bio Electric.

Staff also presented an Overview of the Small Loan Pool and the associated documents that are required for the closing of the Pool. The Committee reviewed the new loan request, the revised loan proposals, and the closing documents for the Small Loan Pool.

- 3. New Markets Tax Credit – Regular Program** – Staff presented the final approval for the McKinley Paper transaction along with the associated closing documents.

19. Consideration and Recommendation for Approval of Children’s Choice. (Bernalillo County) – ES-5453. Children’s Choice Child Care Services, Inc. (“Children’s Choice”) requests from the Essential Services Working Capital Program ("ESWCP") a six-month Line of Credit ("LOC") for \$250,000 to support operations during the COVID-19 crisis with operations defined as salaries, rent, inventory and other operational costs.

The LOC will not exceed \$250,000 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%.

This will be a direct obligation of Children’s Choice secured by tuition charges/contracts. NMFA will have 1st Lien on tuition charges/contracts valued at \$344,533 as of November 1, 2020. The structure carries a loan to value of 72.5%.

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

Member Clark moved, seconded by Member Kopelman, for approval of Children Choice Project ES-5453. The motion passed 10 – 0 on a roll call vote.

20. Overview of the New Markets Tax Credit Small Loan Pool. Increase in previously approved loan amounts and the substitution of a new project for one of the previously approved projects, in the NMTC Small Loan Pool.

In May 2020, the NMFA Board of Directors (“Board”) approved the parameters for the projects that would be participants in this loan pool. Staff presented a series of projects which met the parameters for the Small Loan Pool including Tucumcari Bio Energy Company (“TBEC”) was approved for \$1.9 million in equipment purchases and renovations to the plant. Unfortunately, TCEB is unable to close at this time or in the immediate future. Therefore, staff must replace the TBEC \$1.9 million loan in order to close the loan pool on December 18, 2020.

In order to reallocate the \$1.9 million available, staff worked on a solution, which includes a new project (Homewise, Inc.) to be considered at this meeting and reallocating fund to projects which were previously approved by the Board. The reallocation of funds, in addition to the new project, is as follows:

1. **\$900,000 – Homewise, Inc.** requested funds for their Ruppe and 4th & Bell Street projects in Albuquerque. These projects are renovations projects that will provide space for small business development in the Barela’s District in Albuquerque.
2. **\$350,000 – Parting Stone, Inc.** will receive the additional funds for the purchase of equipment and working capital that will support its operations during the expansion phase.
3. **\$300,000 – Pilsner Place, LLC.** will receive the additional funds for working capital, renovations and to purchase equipment for the acquisition of the properties at its headquarters in Albuquerque.
4. **\$192,500 – Buffalo Group, LLC.** will use the additional funds for the renovation of the property located in downtown Silver City. These funds will help reduce the amount of debt needed to take out for additional phases of the project.

These changes will allow NMFA to close on the Small Loan Pool with US Bancorp Community Development Corporation (“USBCDC”) before the end of calendar year 2020. USBCDC, as the Investor, will also review the changes made to the pool.

21. Consideration and Recommendation for Approval of – Homewise, Inc. – Barela’s Regeneration Project (Bernalillo County) – (NMTC Small Loan Pool) - SLP-5472. Staff recommends approval of the Small Loan Pool NMTC financing for Homewise, Inc. for \$900,000.

Homewise, Inc. (“Homewise”) has been involved in the community development work that strengthens neighborhoods in both Albuquerque and Santa Fe, using different strategies tailored to the strengths and challenges of each place. Since 1986, Homewise has been helping people achieve their homeownership goals by focusing on their customers and placing their long-term financial wellbeing as the highest priority. T

The Ruppe Drugstore is an iconic commercial building and cultural space in the Barela's community in Albuquerque. One of the longest running local pharmacies in Albuquerque, it was operational from 1883 until it closed in 2011. Homewise acquired the building in 2017 and renovated the building in 2019. Since re-opening the space in October of 2019, they have experimented with a reactivation strategy that has blended on-going community use with affordable commercial rentals. Half of the building was renovated into a series of smaller office and workspaces that are now rented to a mix of artists, entrepreneurs and non-profit staff members. The other half has remained accessible for free community use. Pre-COVID, the space was being used by community members and groups to host roughly 25 events each month. During COVID, the space has been used to support local artists and entrepreneurs through a mix of online and in person retail. They now have a waiting list of people interested in renting the smaller spaces and are working towards full lease out of the entire space by April 2021. This portion of the project would be renovated with \$400,000 of the loan proceeds.

Homewise intends to use a similar strategy at their newest commercial property located at the south end of 4th Street in Barelas'. This much larger property will include the redevelopment of a 1,500 SF commercial building on the corner of the lot. They intend to renovate the space, support a period of activation that increases foot traffic, engages the surrounding community and raises the visibility of the location. Homewise anticipates that this will lead to a lease with a local business, much like the approach used at the Ruppe. Homewise will use \$500,000 for the renovation project in the Barelas' District.

This transaction will be part of the first loan pool with FNM. The \$900,000 loan to Homewise 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 Notes will be secured by a Mortgage on both properties where the renovation will take place. In addition, there will be a security interest in the leases that are entered into between Homewise and the potential small business that will enter the incubator space.

Homewise' s Balance Sheet supports the changes that have been described in the Income Statement. The long-term assets have doubled from 2019 to 2020 from \$6.8 million to \$12.9 million. This is attributed to land in Albuquerque that has been purchased to further the mission of Homewise. Under their long-term liabilities, the notes increased from \$62 million to \$72 million. Homewise has been able to manage their cash effectively by maintaining on average of \$6 million in non-interest-bearing accounts and \$8.9 million in interest bearing accounts. Overall, Homewise continues to be a very effective in managing its business over the last three years.

22. Consideration and Recommendation for Revised Approval of Parting Stone, Inc. (Santa Fe County) (NMTC Small Loan Pool)– SLP-5339. Staff recommends approval of the Small Loan Pool NMTC financing for Parting Stones for \$800,000.

In September 2020, the NMFA Board of Directors approved a loan for \$450,000 for Parting Stone, Inc. ("PSI") for the purpose of adding staff and necessary expansion and upgrades to the facility to accommodate additional orders. Staff is requesting to increase the Parting Stone loan by \$350,000 to \$800,000. The increase of funds will allow PSI the ability to purchase more equipment as part of the manufacturing process and additional working capital to bring on additional staff to address the growing demand for its products.

This transaction will be considered for the first \$8 million Small Loan Pool. The \$800,000 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. The loan will be secured by the equipment being purchased with the proceeds of this loan and the assets of Parting Stone.

23. Consideration and Recommendation of Revised Approval of Buffalo Bar, LLC (Grant County) – (NMTC Small Loan Pool) SLP-5381. Staff recommends approval of the revised Small Loan Pool NMTC financing for Buffalo Group, LLC for \$692,500.

In November 2020, the NMFA Board of Directors approved a loan for \$500,000 for Buffalo Group, LLC. (“BG”) for the purpose of renovation of the property that is located in downtown Silver City, NM. Staff is requesting to increase the Buffalo Group loan by \$192,500 to \$692,500. The increase of funds will allow the BG to continue to make renovations to the 27,000 square foot building in the heart of downtown Silver City.

This transaction will be considered for the first \$8 million Small Loan Pool. In addition, this loan will be a back-up to any other loan that may not move forward in the closing process of the small loan pool. The \$692,500 loan to Buffalo Group LLC. 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.

24. Consideration and Recommendation for Revised Approval of Pilsner Place (Bernalillo County) – (NMTC Small Loan Pool) SLP-5338. Staff recommends approval of the Small Loan Pool NMTC financing for Pilsner Place, LLC. (“PP”) for \$1,867,500.

In August 2020, the Board approved a loan for \$1,567,500 for PP to purchase three different properties in Albuquerque, NM increasing capacity to accommodate the growth of its Wholesale accounts. Staff recommends increasing the Pilsner Place loan by \$300,000 to \$1,867,500 allowing PP to make minor renovations, purchase equipment and help with working capital necessary for expansion of the business at Marble Brewery.

This transaction will be considered for the first \$4 million Small Loan Pool. The \$1,867,500 loan to Pilsner Place, LLC. 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.

Member Clark moved, seconded by Member Nathanson-Juris, for approval of agenda items 21 – 24. The motion passed 10 – 0 on a roll call vote.

25. Consideration of a Resolution for the Final Approval of the NMTC Small Loan Pool, Amended & Restated Operating Agreement, Leverage Loan Agreement, Indemnification Agreement, Put/Call Option Agreement, Assignment and Related Documents. Staff recommends final approval of the New Markets Tax Credit financing for the NMTC Small Loan Pool, final approval subject only to NMTC documentation acceptable to the NMFA.

Mr. Dan Opperman, Chief Legal Officer, reviewed the Resolution for final approval of the NMTC Small Loan Pool which is expected to close by the end of the calendar year.

Member Suazo moved, seconded by Member Clark, for final approval of the NMTC Small Loan Pool, Amended & Restated Operating Agreement, Leverage Loan Agreement, Indemnification Agreement, Put/Call Option Agreement, Assignment and Related Document. The motion passed 10 – 0 on a roll call vote.

26. Consideration of a Resolution for the Final Approval of the NMTC Financing for McKinley Paper Co., Amended & Restated Operating Agreement, Indemnification Agreement, Assignment and Related Documents (McKinley County). Staff recommends final approval of the New Markets Tax Credit financing for McKinley Paper Company Portion of Business, final approval subject only to NMTC documentation acceptable to the NMFA.

Phase II will purchase steam generation and related equipment critical to the project due to the pending closing of the Escalante Coal Plant scheduled to close by December 2020. The project will provide the steam needed to keep the plant operating and will also include water conservation measures that are now possible with the closure of the coal plant allowing McKinley to recharge the aquifer.

This will be the second investment at the McKinley Paper facility with 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 condensation and water treatment effluent 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. (20% 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. (10% 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 \$691,040.

Mr. Dan Opperman, Chief Legal Officer, reviewed the Resolution for final approval of the McKinley Paper transaction which is expected to close in January 2021.

Member Clark moved, seconded by Member Suazo, for final approval of the NMTC financing for McKinley Paper Co., Amended & Restated Operating Agreement, Indemnification Agreement, Assignment and Related Documents. The motion passed 10 – 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.*)

27. Update on Activities. A quorum of the Finance & Disclosure Committee met on December 9, 2020 via Zoom teleconference. Staff presented the following:

- ◆ *Implementation of the Small Business CARES Relief Fund:* Staff explained that House Bill 1, as amended, from the Second Special Session of 2020, provided NMFA with \$100 million in federal grant funds for small business grants to be distributed under tight timelines. Staff provided an update on the various fraud mitigation tools being used to expeditiously implement the program.
- ◆ *Update on Contracts:* Staff explained that due to immediate need to implement the Small Business CARES Relief grants, the NMFA was securing various services in order to meet application and funding deadlines.

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. The Audit Committee met on December 17, 2020 via Zoom teleconference. Items discussed included:

- ◆ *Enable Project.* Mr. Oscar Rodriguez reported that staff has ceased data entry into MITAS supporting the PPRF. Until December 4, when November was closed in the general ledger, MITAS and EnABLE had been operating in parallel. Now PPRF, along with the water programs, is solely supported by EnABLE leaving only the Behavioral Health (“BH”) and Primary Care Capital Fund (“PCCF”) as the only programs supported by MITAS, encompassing a total of 19 active loans.
- ◆ *Internal audit.* Staff and representatives from Deloitte Touche provided an overview of the work completed to help substantiate the implementation of EnABLE and NMFA’s ability to rely on EnABLE for reporting purposes. This primarily centered on reviewing data migration, user security roles, acceptance testing, and implementation issues resolution in advance of an independent review by NMFA’s external auditor, Moss Adams.
- ◆ *October Financial Statements.* The Committee reviewed NMFA's balance sheet, income statement and cash flow statement as of October 31, 2020. Mr. Rodriguez also reported that October marked the first month when staff relied on EnABLE to calculate interest and fee receivables instead of relying on the traditional method of estimating this current asset.

29. Next Board Meeting

Thursday, January 28, 2021 – 9:00 a.m.

Location/Mode: Via Zoom

Santa Fe New Mexico

30. Adjournment.

Member Suazo moved, seconded by Member Clark, to adjourn the meeting. Motion passed unanimously. The meeting adjourned 10:57 A.M.

Isabel Hernandez
Secretary

1/29/2021
Date