

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

Minutes of Board Meeting
January 28, 2021
Via Zoom
Santa Fe, New Mexico

Present:

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

Absent:

Martin Abran Suazo	Public Member, Las Vegas, NM
David A. Martinez	Public Member, Laguna, NM

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:

Anne Browne	Sutin Thayer & Browne
Blake Wade	Gilmore & Bell
Brad Angst	Steifel

Craig Dussinger
Jerry Kyle, Jr.
Rob Mayes
Stevie Olson
Susen Ellis
Suzanne Bruckner

Bank of America Merrill Lynch
Orrick, Herrington & Sutcliffe
City of Farmington
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 Forte moved, seconded by Member Nathanson-Juris, to approve the agenda. The motion passed 9 - 0 on a roll call vote.

3. Approval of the December 17, 2020 Board Minutes.

Member Lovato moved, seconded by Member Forte, for approval of the December 17, 2020 Board minutes. The motion passed 9 – 0 on a roll call vote.

The CEO report, at Ms. Russel's request, was moved to the end of the agenda. For consistency, the Report follows as item 4.

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

- ◆ *Small Business CARES Relief Grants*
Staff will make a formal presentation on the CARES Relief Grants to the Board at the meeting.
- ◆ *Small Business Recovery Loan Fund*
As of January 20, 2021, NMFA had approved 784 Small Business Recovery Fund loans totaling approximately \$35.95 million. NMFA received a relatively large number of applications in December that were not processed until after the Small Business CARES Relief Grants (“CARES”) were complete. Average loan approved is \$45,857.
- ◆ *Legislative Update*
As of January 22, five pieces of legislation directly impacting NMFA have been introduced. In addition to NMFA’s three primary bills - the PPRF Authorization Bill, the Water Trust Board Authorization bill and the PPRF Appropriation bill – a bill to expand and extend the Small Business Recovery Loan Fund has been introduced as has a bill to authorize NMFA to issue more bonds on behalf of the Department of Transportation. At this time, staff expects more legislation to be introduced in the coming days that directly impact NMFA.
- ◆ *Other Milestones*
NMFA sent out, for the first-time, activity statements to PPRF borrowers using EnABLE. In addition to the efficiency this brings to operations, this milestone represents much better reporting to our clients.
- ◆ *Interim Loan, Grant, and Participation Modifications:*
No modification requests were presented to NMFA in December.

Chair Miller commended Ms. Russel and staff for the successful implementation of the CARES program in the short time allocated for distribution of the funds. The Board echoed the Chair’s comments in

recognizing the staff.

Report from the Public Lending Committee. (*Committee members are Mr. A.J. Forte, Chair, Acting Secretary Debbie Romero (Mr. 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 January 20, 2020. Discussion included the following which were recommended for approval to the full Board:
- ◆ *Local Government Planning Fund:* Reviewed one application from the LGPF.
 - ◆ *Drinking Water State Revolving Loan Fund:* The Committee reviewed a recommendation from staff to change the pledge for an existing DWSRLF loan.
 - ◆ *Public Project Revolving Fund:* The Committee reviewed seven projects from the PPRF, six of which appear on today’s Consent Agenda, the other appears on the Regular Agenda.
 - ◆ *Water Project Fund:* The Committee reviewed a revised approval from the Water Project Fund.
6. **Consideration and Recommendation for Approval of OhKay Owingeh (Rio Arriba County) – Comprehensive Plan with LEDA Component – PG-5485.** Ohkay Owingeh applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a Comprehensive Plan with a LEDA component to update the 2006 master plan by addressing the most predominant issues for the Tribe with approval by the Ohkay Owingeh Tribal Council.

The Comprehensive Economic Development Plan will include a LEDA component and address capital improvements including Roadway Design, Housing Authority codes, Natural Resources and Public Safety ordinances.

7. **Consideration and Recommendation for Approval of City of Farmington (San Juan County) – 2021 Equipment Loan – PPRF-5482.** The City of Farmington (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$433,397 to equip the Civitan and Piñon Hills Golf Courses with maintenance equipment including but not limited to fairway and greens mowers, utility vehicles, greens rollers, low-behind debris blowers, grinding equipment; and a compact tractor

The City will pledge the 1st increment of the Municipal Local Option GRT (.125%) which is prior to de-earmarking, as pledged revenue towards repayment of the loan. GRT volatility in the current environment effects this loan; however, even if GRT is reduced by 20% in the first two years and returns to 90% afterward, this loan remains well within NMFA’s coverage requirement.

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

8. **Consideration and Recommendation for Approval of Sandoval County, La Cueva FD – 2021 Fire Equipment Loan – PPRF-5478.** Sandoval County (“County”), on behalf of the La Cueva Fire District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$470,000 to purchase new fire apparatus and respective equipment.

The District will pledge State Fire Protection Funds as the revenue source for the loan. The District has an ISO class rating of eight with two main stations and two substations. The District receives an annual

base distribution of \$141,840. Residing in the Village of Jemez Springs, the District has an MHI of \$54,470 constituting 113.34% of the State MHI disqualifying the District for disadvantaged funding.

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

9. Consideration and Recommendation for Approval of Sandoval County, Ponderosa FD – 2021 Fire Equipment Loan – PPRF-5479. Sandoval County (“County”), on behalf of the Ponderosa FD (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for \$280,000 to purchase a new fire apparatus and respective equipment.

The District will pledge State Fire Protection Funds as the revenue source for the loan. The District has an ISO class rating of five with three main stations and one substation and receives an annual base distribution of \$207,613.

The District does not qualify for disadvantaged funding residing in Ponderosa, NM which has an MHI of \$68,373, which constitutes 142.27% of the State MHI.

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

10. Consideration and Recommendation for Approval of Sandoval County, South District FD – 2021 Fire Equipment Loan – PPRF-5480. Sandoval County (“County”), on behalf of the South District FD (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for \$240,000 to purchase new fire apparatus and respective equipment.

The District will pledge State Fire Protection Funds as the revenue source for the loan. The District has an ISO class rating of five with five main stations. receiving an annual base distribution of \$308,335. The District will contribute \$19,858 toward the purchase of the fire equipment from accumulated Capital Outlay funds.

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

11. Consideration and Recommendation for Approval of Village of Eagle Nest (Colfax County) – 2021 Fire Equipment Loan – PPRF-5483. The Village of Eagle Nest (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$150,000 to purchase a new fire apparatus and respective equipment.

The Village has an ISO class rating of four with one main station and one substation and receives an annual base distribution of \$89,418. The Village will pledge State Fire Protection Funds as the revenue source for the loan. The Village and Fire Department are contributing \$50,000 toward the purchase of the equipment. The Fire Department is also utilizing a \$200,000 grant awarded from the 2021 Fire Protection Grant for the purchase.

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

12. Consideration and Recommendation for Approval of Village of Eagle Nest (Colfax County) – 2021 Solid Waste Equipment Loan – PPRF-5484. The Village of Eagle Nest (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$96,052 to purchase solid waste equipment.

The Village will pledge the net systems revenue of the Solid Waste Fund. Staff utilized FY2020 unaudited revenues resulting in revenues of \$22,675 to determine debt service coverage of 1.88xs.

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

13. Consideration and Recommendation for Amended Approval of Village of Columbus (Luna County) – Flood Prevention Project – WTB-5090. Staff recommends modifying the revenue pledge for WPF-5090 to the first and second increments of the Municipal Gross Receipts Tax (“MGRT”).

The Board approved WPF-5090 loan for the Village of Columbus (“Village”) at the May 2020 Board Meeting for \$1,100,000, \$110,000 (10%) loan and \$990,000 (90%) grant for construction and construction management services for the Northeast (NE) flood diversion channel. The loan’s debt service coverage was approved at 1.65xs, pledging increments 1 through 4 of the Municipal Local Option Gross Receipts Tax (MLOGRT).

Staff recently found that the original loan approval included all six outstanding Colonias (CIF) and WTB loans all pledged to the first increment\of MGRT. Loan. WPF-5090 also includes the second, third and fourth increments of MGRT. This mismatch of pledge increments creates a parity lien issue.

Staff reanalyzed the credit and debt for WPF-5090 utilizing only the second and third increments of the Village’s MLOGRT. The debt service coverage ratio meets the WTB 1.0xs coverage requirement, at 1.13xs.

Member Kopelman moved, seconded by Member Forte, for approval of Consent Agenda items 6 – 13. The motion passed 8 – 0 on a roll call vote. Member Lovato was unavailable for the vote.

14. Consideration and Recommendation for Approval to Amend the Pledge of City of Eunice (Lea County) – Waterline Replacement – DW-1941. Pursuant to Section 2.1(w) of the Revised Loan Agreement, the City of Eunice requests release of its pledge of the State Shared GRT (“SSGRT”) on Drinking Water loan 1941.

The Board approved loan DW-1941 for the City of Eunice (“City”) at the February 2012 Board Meeting for \$5,050,000 to replace of approximately thirty miles or more of water lines, including lines from Hobbs to Eunice, transmission and distribution lines within the City of Eunice, and to construct a chlorination station within the City. The loan’s debt service coverage was approved at 3.32xs, pledging the Net Revenues of the Joint Utility System and SSGRT. In addition, the write up included a staff recommendation that, at the City's request and upon its demonstration that net joint utility revenues produce the minimum of 1.3xs coverage for three consecutive years, the lien on State Shared Gross Receipts Tax may be released upon approval of the NMFA Board.

Pursuant to Section 2.1(w) of the Amended and Restated loan agreement, the City requests release of the

pledge of State Shared Gross Receipts Tax revenues herein, having shown that the Net Revenues of the Joint Utility System, for a period of three (3) consecutive years, have during each year been no less than one hundred thirty percent (130%) of the combined maximum annual principal and interest requirement and the Administrative Fee coming due in any subsequent Fiscal Year on the then outstanding Parity Obligations. Staff is utilizing fiscal years 2018, 2019 and the unaudited 2020 net joint utility revenues to demonstrate coverage. Coverage was 1.43xs, 2.41xs. and 1.71xs respectively.

Member Kahl moved, seconded by Member Forte, for approval of City of Eunice Project DW-1941. The motion passed 8 – 0 on a roll call vote. Member Lovato was unavailable for the vote.

15. Consideration and Recommendation for Approval of City of Eunice (Lea County) – 2021 Energy Upgrades – PPRF-5481. The City of Eunice (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,311,000 to finance the cost associated with energy upgrades and improvements to City infrastructure including new water meters, efficient LED lighting at approximately 16 locations, HVAC optimization at City hall, fire station, library and community center, and sealing of approximately 13 building envelopes.

The City entered into a contract for an energy audit, which has certified savings and states that the savings will assist with the repayment of the debt service. However, because this energy company is not recognized as a New Mexico approved IGA provider, the City must utilize its own revenues rather than rely on the savings from the upgrades for this financing.

The City will pledge its distribution of the net system revenue which is defined as water and wastewater. The City will also enhance its pledge with the State Shared GRT to maintain parity with an outstanding Drinking Water loan.

The 2019 Audit received an unmodified opinion with three findings including one material weakness and one repeat prior year significant deficiency.

Member Nathanson-Juris moved, seconded by Member Forte, for approval of City of Eunice Project PPRF-5481. The motion passed 9 – 0 on a roll call vote.

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.*)

16. Update on Activities. The Economic Development Committee met via Zoom January 19, 2021 with a quorum of members in attendance. In addition to reviewing the Annual Private Lending Portfolio Report which details each project in the portfolio, staff presented the following items:

- ◆ *Essential Services Working Capital Program (“ESWCP”)* - Staff reported that two ESWCP borrowers request six-month extensions to their lines of credit. Rio Grande Hematology’s extension request will help the cancer clinic to be able to purchase the drugs that are necessary for their client’s treatment. Well Life Albuquerque’s extension request will allow the owners to maintain their payroll for staff in order to provide primary care services for their members. The extensions were presented to the Committee as informational items only as the loans were approved with for six-month lines of credit, with an optional six-month extension.

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.*)

17. Update on Activities. A quorum of the Finance & Disclosure Committee met on January 20, 2021. Staff presented the following item:

- ◆ *Review of the Preliminary Official Statement (“POS”) for the New Mexico Finance Authority Public Project Revolving Fund Revenue Bonds, Senior Lien Series 2021A.* Staff was joined by Jerry Kyle, Jr. (Disclosure Counsel, Orrick Herrington & Sutcliffe) in presenting the review of the POS for the Series 2021A Bonds. Brad Patterson (Bond Counsel, Gilmore & Bell) was also present at the meeting. Staff discussed the underlying transaction, explained the process by which the Committee performs its review, and Mr. Kyle walked the members of the Committee through a detailed discussion of the POS. The Committee voted unanimously to recommend the POS to the full Board.
- ◆ *Presentation of the Investment Report for Year Ending December 31, 2020.* Staff was joined by Deanne Woodring (Government Portfolio Advisors) in presenting the Investment Report for the above reference period, with a detailed discussion of the various fund portfolios and compliance report given to members.

18. Consideration for Approval of the Authorizing and Delegating Resolution for the New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2021A, Preliminary Official Statement, One Hundred and Fourth Supplemental Indenture of Trust and Related Documents. Adoption of an authorizing and delegating resolution directing staff and consultants to prepare for the issuance of the Series 2021A Bonds, and delegate to certain members and officers of the NMFA the authority to determine the final terms of the Series 2021A bonds, subject to certain parameters.

The Finance Authority is issuing and selling Series 2021A Bonds in an amount to be determined, but not to exceed \$53,000,000.

The proceeds will reimburse the Finance Authority for moneys used to originate loans or purchase securities to finance certain projects or reimburse loans previously made to or securities purchased, and pay costs incurred in connection with the issuance of the Series 2021A Bonds. Staff and consultants will continue to prepare for the sale of the Series 2021A Bonds, now expected to occur in February 2020.

Member Nathanson-Juris will represent the Board on the bond sale.

Mr. Dan Opperman, Mr. Michael Zavelle, Mr. Jerry Kyle, and Mr. Blake Wade reviewed and discussed the proposed resolution and related documents for the Series 2021A bonds. Mr. Jerry Kyle reviewed the preliminary official statement and Mr. Blake Wade presented the authorizing resolution.

Member Forte moved, seconded by Member Kopelman, for adoption of an authorizing and delegating resolution directing staff and consultants to prepare for the issuance of the Series 2021A Bonds, and delegate to certain members and officers of the NMFA the authority to determine the final terms of the Series 2021A bonds, subject to certain parameters. The motion passed 9 – 0.

19. Presentation of Investment Report for the Period Ending December 31, 2020. Mr. Mark Lovato presented the Investment Report for the period ending December 31, 2020. As of December 31, 2020, the NMFA has total invested funds of \$791.9 million of which \$724.9 million is NMFA funds and \$67 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 .760% with a duration of .811. Net income for the two quarters ending Dec. 31, 2020 was \$3,397,086 a 58% decrease from this time last year, which is expected as current market rates are extremely low as funds are reinvested at these lower rates.

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).*)

20. Update on Activities. A quorum of the Audit Committee met on January 20, 2021 via Zoom teleconference. The Committee discussed the following:

◆ *Enable Project.* Mr. Oscar Rodriguez reported that staff is now focused on redesigning internal processes and controls that are EnABLE-centric, not just holdovers from how things were done in MITAS. Mr. Rodriguez also reported that taking Behavioral Health (“BH”) and Primary Care Capital Fund (“PCCF”) off MITAS, has been pushed back a month. He explained that the data from MITAS had to be uploaded into EnABLE twice due to the need to reconfigure how these grant-loans had to be set up in the latter system. Both programs are expected to be fully operational in EnABLE in February.

◆ *November Financial Statements.* Staff presented NMFA's balance sheet, income statement and cash flow statement as of November 20, 2020 noting that the results still don't reflect a significant impact on revenues or expenditures from the Covid-19 health emergency. Staff reported that the financial statements reflect where NMFA was expected to be at this point in the fiscal year, with the peak of borrower's debt service payments having been received just before bond interest payments are made in December. Net position increased \$2.3 million from last year and \$0.6 million since June 30. Total loan receivables stood at \$1.821.6 million at the end of November.

◆ *Financial Performance Indicators.* Staff presented a short list of indicators to cover the key aspects of financial performance: liquidity, solvency, efficiency, sustainability, and compliance. Staff has been working with the Audit Committee over the past several months to develop metrics that show trends and help the reader analyze the information provided in the monthly financial statements. Staff explained each of the five indicators will become part of the monthly financial statements package: Months of Operating Cash Coverage, PPRF Current Ratio, Cost per \$1.00 of Loan Receivable, Water Programs Asset Turnover, and Bond Coverage. The current plan is to allow time for these indicators to be assimilated by the Committee and staff and then present them to the full Board in spring as part of the third quarter financial statements.

21. Next Board Meeting

Thursday, February 25, 2021 – 9:00 a.m.
Location/Mode Via Zoom
Santa Fe New Mexico

22. Adjournment

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

The meeting adjourned at 11:00 a.m.

Leslie Atherton/Oris
Secretary

2/26/2021
Date