

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

Minutes of Board Meeting
February 25, 2021
Via Zoom
Santa Fe, New Mexico

Present:

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| 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. |
| Martin Suazo | Public Member, Las Vegas, NM |
| Matthew Lovato | Designee for Secretary, NMENRD |
| Steve Kopelman, Vice Chair | Executive Director, NMC |

Finance Authority Staff:

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| 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:

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|------------------|-------------------------------|
| Anne Browne | Sutin Thayer & Browne |
| Craig Dussinger | Bank of America Merrill Lynch |
| Scott McLaughlin | NM Spaceport |
| Stevie Olson | LFC |
| Susen Ellis | BOKF |

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 moved, seconded by Member, to approve the agenda. The motion passed 10 - 0 on a roll call vote.

3. Approval of the January 28, 2021 Board Minutes.

Member moved, seconded by Member, for approval of the January 28, 2021 Board minutes. The motion passed 10 – 0 on a roll call vote.

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

- ✓ As of February 19th, approximately one dozen pieces of legislation directly impacting NMFA have been introduced. NMFA’s three primary pieces of legislation are progressing well, and staff does not currently anticipate any issues with the pieces making it successfully through both chambers. House Bill 11, authorizing NMFA to operate a temporary Local Economic Development Act recovery grant for lease, rent and mortgage assistance, passed both chambers and is expected to be signed into law. Senate Bill 3, expanding the Small Business Recovery Loan Fund, has passed the Senate and has been scheduled for hearings in the House.
- ✓ Given the high likelihood of additional federal money being made available, staff is proposing a minor amendment to the Statewide Economic Development Finance Act to allow NMFA to operate additional programs authorized by the federal State Small Business Credit Initiative. This amendment would allow NMFA to operate programs with less operational impact and, if federal funds are made available, could serve needs for banks that are not currently being met. One such program is a Capital Access Program, which matches funds contributed by participating banks to establish a loan loss reserve for enrolled loans at each respective bank.
- ✓ The passage of the \$200 million LEDA recovery grant program and expected passage of the \$500 million Small Business Recovery Loan Fund is anticipated to have significant short and mid-term implications on NMFA’s operations. In March staff will propose a second amendment to the FY 2021 budget to provide the resources necessary to stand up and operate these high-volume programs. Staff anticipates that the FY 2022 budget will include additional resources necessary to operate in the high growth mode that NMFA has experienced in the past year.

Chair Miller asked about the proposed legislation regarding a public bank.

Member Forte noted that it would make more sense to utilize NMFA rather than creating a public bank. Member Clark agreed with the comments and also supported the proposed changes to SWEDFA. Member Nathanson-Juris also agreed with the comments, adding that creating a public bank would be redundant given what NMFA already provides. Members Kahl and Suazo agreed with the Board’s comments.

Mr. Adam Johnson reviewed the SBRLF statistics, and reviewed the proposal going forward including new employees, external resources, and budget amendment required to provide for the additional costs.

- ✓ Building on the success of the EnABLE Steering Committee, Mr. Johnson is heading up a stimulus program implementation project management team. A steering committee has been established and a project management plan established. A presentation on the lessons learned from the first two programs as well as an overview of the program implementation plan is anticipated to be made to the Board at the March or April Meeting.

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.** The Public Lending Committee met on February 17, 2021 via Zoom teleconference but did not establish a quorum thus all projects were moved forward without recommendations. The Committee reviewed eight PPRF projects and received a short briefing on the three projects for North Central Regional Transit District (“NCRTD”) as members were not notified that updated materials were available for review. Staff recommended approval of the eight projects as presented.
6. **Consideration and Recommendation for Approval of Socorro Soil & Water Conservation District (Socorro County) – 2021 New Building Loan – PPRF-5480.** The Socorro Soil & Water Conservation District (“SWCD”) applied to the Public Project Revolving Fund (“PPRF”) for \$175,000 for land improvements and construction of a new building located next to the NM State Forestry Socorro Division Office.

The District secured a 25- year lease, renewable up to 100 years, with the City of Socorro (“City”) in the Industrial Park. The District will use the loan proceeds to bid and hire a company to engineer and design a forty foot by sixty foot office building that will have eight hundred square feet of office space and sixteen hundred square feet for a garage/shop to store vehicles and equipment.

The District solicited bids for a general contractor for the construction of the building and is working with the City’s Water and Gas Departments and the Socorro Electric Cooperative Engineering Department to acquire easements and connections.

The 2020 mill levy is valued at \$164,556. Not knowing the financial impact that Covid-19 will have on the economy, Socorro County has estimated 2020 collection rate at 85%.

The 2019 audit received an unmodified opinion with zero findings.

7. **Consideration and Recommendation for Approval of Belen Consolidated School District (Valencia County) – Series 2021 General Obligation Bond Refunding – PPRF-5487.** The Belen Consolidated School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$7,270,000 to refund Series 2013 bonds for economic savings.

The Series 2013 Bonds have a current pre-payment date of August 1, 2022 making it an advanced

refunding. The Series 2013 bonds are non-PPRF GO Bonds. As tax-exempt bonds cannot be advance refunded the proposed NMFA loan is taxable.

The Bonds closed on September 17, 2013 with a combined par amount of \$13,250,000. The Bonds are being issued for school infrastructure, purchasing computer software and hardware, and providing matching funds for capital outlay projects, and the cost of issuance.

Under current market conditions, the combined refunding is expected to achieve actual savings of approximately \$297,632.65 which represents net present value savings of more than 4.36% over the life of the loan. The loan is presented with .75bp added to the rates thus reducing the savings to under the 3% threshold per PPRF policies.

The 2019 audit received an unmodified opinion with seven findings including three material weaknesses, one current and two prior year. The District submitted a corrective action plan.

- 8. Consideration and Recommendation for Approval of Village of Columbus (Luna County) – 2021 Equipment Loan – PPRF-5489.** The Village of Columbus (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$100,000 to purchase a road grader.

The Village will pledge the 5th increment of the Municipal Local Option GRT (.25%) which is prior to de-earmarking, as pledged revenue towards repayment of the loan.

The 2019 audit received an unmodified opinion with four findings including one material weakness and three significant deficiencies. The Village provided a corrective action plan.

- 9. Consideration and Recommendation for Approval of Taos County, San Cristobal FD – 2021 Fire Equipment – PPRF-5488.** Taos County (“County”) on behalf of San Cristobal FD (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$198,411 to purchase new fire apparatus and respective equipment.

The District has an ISO class rating of nine with one main station. The District receives an annual base distribution of \$39,058 which will be pledged as the revenue source. The District will also contribute \$200,000 toward the purchase from Fire Protection Grant Award funds.

The 2019 audit received an unmodified opinion with no findings.

- 10. Consideration and Recommendation for Approval of New Mexico Spaceport Authority (Sierra & Doña Ana Counties) – 2020 Refunding Series 2009 (PPRF-2288) and 2010 (PPRF-2527).** The New Mexico Spaceport Authority (“NMSA”) applied to the Public Project Revolving Fund (“PPRF”) for \$39,294,256 to refund Series 2009 and 2010 Bonds.

The tax-exempt NMFA bonds were issued in June 2019 and December 10, 2020.

The NMSA was established by the Spaceport Development Act of 2005 to plan, develop, and operate the first inland commercial spaceport. The NMSA applied and received NMFA approval for PPRF-2288 in July 2009 for Phase 1 financing, planning, designing, engineering, and constructing portions of Spaceport America. PPRF-2527 was approved in December 2010 for

Phase II which was primarily the construction of access roads to the Spaceport with financing accomplished by NMFA purchase of bonds issued by the NMSA.

The pledge for these loans is 75% of the revenue generated by the Doña Ana County Regional Spaceport GRT and the Sierra County Regional Spaceport GRT respectively. The enactment is two one-eights percent (.125%) increments, a quarter percent (.25%) total, adopted by both Doña Ana and Sierra Counties. On May 7, 2009, a general financing proposal was presented to the Spaceport District and approved unanimously as mandated by the Spaceport District Act.

Under current market conditions, the refunding is expected to achieve actual savings of approximately \$8,354,121.13 through maturity, which represents net present value savings of more than 18.45% over the life of the loan.

Refunding creates significant savings for the NMSA by leveling out the debt service structure with a uniformed payment and eliminating the balloon payment in later years. The NMFA will now receive only the amount due for the debt service payment, eliminating the need for a Bond Redemption Fund

Staff performed a stress test where, if GRT is reduced by 20% in both the second year and third year and returns to 90% afterward, NMSA can continue making the required debt service payments; although, the loan will be under NMFA's coverage requirements. However, the combined County Regional Spaceport tax has increased by 15.41% over the same period last year. In addition, this is a short 9-year term with a fully funded debt service reserve at closing.

The 2019 financial audit received an unmodified opinion with no findings.

Member Kopelman moved, seconded by Member Forte, for approval of items 6 – 10. The motion passed 10 – 0 on a roll call vote.

Chair Miller recused herself from participation in agenda items 11 – 13 with Vice Chair Kopelman chairing the meeting.

11. Consideration and Recommendation for Approval of North Central Regional Transit District (Rio Arriba County) – Espanola Maintenance Facility – PPRF-5475. The North Central Regional Transportation District (“NCRTD”), commonly known as the RTD Blue Bus, applied to the Public Project Revolving Fund (“PPRF”) for \$2,139,851 to finance the costs associated with the planning, design, and construction of a new maintenance facility located on Silkey Way in Espanola, NM on approximately seven acres of land adjacent to the NCRTD Jim West Regional Transit Center.

The proceeds will also purchase equipment for the maintenance facility, electric bus charging infrastructure and construction of a vehicle wash bay area and fueling station fulfilling the current maintenance and upkeep needs of the NCRTD as well as accommodate future operations and fleet expansion.

The borrower requested a waiver from using an executed intercept agreement or a contingent intercept agreement and will instead make monthly payments to the NMFA.

NCRTD provides predominately fare-free bus and premium fare public transit services that connect

communities and pueblos with an estimated population of 240,998 in Los Alamos, Rio Arriba, Santa Fe, and Taos Counties as well as the Pueblos of Pojoaque, Ohkay Owingeh, Nambé, San Ildefonso, Santa Clara, Tesuque, Taos, Picuris and the Jicarilla Apache Nation.

The major portion of the District’s funding sources (69%) is derived from sales tax revenues in the form of GRT. NCRTD started receiving a one-eighth of one percent GRT after it was approved by the four-county area voters in 2008. In 2009, the NCRTD began collecting one-eighth of one percent GRT in the four counties. During 2019, there was a significant increase in GRT revenue from the Santa Fe, Taos, and Los Alamos counties and a slight decrease in Rio Arriba. Starting in 2019, the District projected that the GRT in Rio Arriba County will continue to underperform due to a fledgling economic recovery. Continued increases in spending by LANL in Los Alamos County, and Santa Fe, and Taos County GRT tends to balance the uneven revenues from Rio Arriba County.

NCRTD collects the GRT and then NRTD contributes a 60% portion of the GRT revenues received to regional partners that provide regional services approved by the Board of Directors. The transit agencies that receive these contributions are the New Mexico Rail Runner Express, Santa Fe Trails in Santa Fe County, and Atomic City Transit in the incorporated county of Los Alamos County. The NCRTD then keeps the remaining 40%, which is utilized for the NCRTD provided services. Any excess revenue is placed into the NCRTD’s cash reserves. As of November 30, 2020, NCRTD’s cash balance is \$4.2M.

Staff utilized a three-year average of the net pass-through GRT revenues with a 10% current economy reduction, resulting in revenues of \$3,151,194 and debt service coverage of 6.82xs. NCRTD will make monthly payments in lieu of an active or contingent intercept as defined by the waiver request. NCRTD is utilizing other public funds toward the completion of this project. The funds include New Mexico State capital outlay of \$1,147,980, a federal Low-No-Grant following through the New Mexico Department of Transportation of \$240,000, and Federal grant funds of \$6,842,849. The total project cost is estimated at \$10.2M.

Prior to closing, NCRTD must obtain State Board of Finance approval. NCRTD will be required to satisfy any other necessary approvals or conditions as required by the NMFA. In addition, any additional indebtedness by NCRTD will be subject to prior approval of the NMFA.

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

12. Consideration and Recommendation for Approval of North Central Regional Transit District (Rio Arriba County) – Taos Maintenance Facility – PPRF-5476. The North Central Regional Transportation District (“NCRTD”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,861,491 to finance the costs associated with the planning, design, and construction of a new operations and maintenance facility.

The new facility is located at the intersection of Salazar Road and Este Es Road in Taos, N.M. The proceeds will also be used for constructing administrative and operations infrastructure, maintenance bays, used and portable equipment storage, parking structures, electric bus charging infrastructure, construction of a vehicle wash bay area and a fueling station. These improvements will fulfill the current maintenance and upkeep needs of the NCRTD as well as accommodate future operations and fleet expansion.

Staff utilized a three-year average of the net pass-through GRT revenues with a 10% current economy reduction, which resulted in revenues of \$3,151,194 and debt service coverage of 6.82xs. NCRTD will make monthly payments in lieu of an active or contingent intercept as defined by the waiver request. NCRTD is utilizing Federal grant funds (“FTA”) of \$5,251,091 toward the completion of this project. The total project cost is estimated at \$7.9M.

13. Consideration and Recommendation for Approval of North Central Regional District (Rio Arriba County) – Electric Buses & Equipment – PPRF-5477. The North Central Regional Transportation District (“NCRTD”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,433,612 to finance the costs associated with the purchase of five battery-electric transit vehicles with zero-emissions, charging stations, training for maintenance personnel for the new equipment, and respective equipment.

Staff utilized a three-year average of the net pass-through GRT revenues with a 10% current economy reduction resulting in revenues of \$3,151,194 and debt service coverage of 6.82xs. NCRTD will make monthly payments in lieu of an active or contingent intercept as defined by the waiver request. NCRTD is utilizing Federal grant funds (“FTA”) of \$3,200,000 toward the completion of this project. The total project cost is estimated at \$4.5M.

Member Suazo moved, seconded by Member Forte, for approval of items 11 – 13. The motion passed 9 – 0 on a roll call vote with Member Miller recused from the vote.

Member Kopelman departed the meeting.

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.*)

14. Update on Activities. Members of the Economic Development Committee met via Zoom teleconferencing on Tuesday, February 16; however, a quorum was not established. In addition to reviewing the Private Lending Portfolio Report, staff presented the following items:

- ✓ *Essential Services Working Capital Program* - Staff reported that it is extending six- month lines of credit for four borrowers
 - Covenant Schools of America
 - Dr. David J. Ortega DDS
 - Las Cruces Machine
 - Net Medical Xpress Solutions

These six-month extensions were included in the approval of the loans and were presented as informational items only.

- ✓ *New Markets Tax Credit* - Staff presented a request to open 30th round of applications for New Markets Tax Credit use the remaining \$28 million of allocation.

- 15. Consideration and Recommendation for to Open the 30th Round of Competitive New Markets Tax Credit Applications.** Staff requests approval to open the thirtieth round of competitive applications for the remaining \$35 million of allocation.

The NMFA Board, on behalf of Finance New Mexico, has offered 29 competitive application cycles to date, including several exclusive application rounds for projects located in rural areas.

In July, Finance New Mexico, LLC (“FNM”) received notification of a \$35 million NMTC award from the Calendar Year 2019 application cycle allowing FNM to invest the allocation in all eligible census tracts within the State, including those in metropolitan and rural counties. This award requires FNM to invest at least \$7 million in rural areas and at least \$7 million in small projects. The 2015/2016 has \$2.5 million remaining that has to be invested into a Qualified Equity Investment by November 2021.

Staff will be accepting applications in all eligible census tracts throughout the state. The online application system will be open for at least four weeks.

Member Clark moved, seconded by Member Forte, to approve opening the thirtieth round of competitive applications for the remaining \$35 million of allocation. The motion passed 9 – 0 on a roll call vote.

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

- 16. Update on Activities.** A quorum of the Finance & Disclosure Committee met on February 17, 2021 via Zoom teleconference. Member Suazo chaired the meeting with member Trujillo in attendance. As a quorum was not established the members agreed to postpone until next month the consideration of three recommendations to issue requests for proposal. Staff presented the second quarter budget report and the FY2021 Budget Amendment.

- 17. Consideration and Recommendation for approval of the 2nd Quarter Budget Performance Report.** Staff presented the budget performance for the second quarter of FY 2021, which covered the period from July 1 through December 31, 2020 and represented the actual revenues and expenditures through December 31, 2020 in comparison with the amended budget approved by the Board on July 23, 2020. Staff discussed various trends, the effects of COVID-19, and matters pertaining to the Small Business Recovery Loan Fund.

- 18. Overview and Discussion of Second Amendment to FY21 Budget.** Staff discussed the framework for a second amendment to the FY 2021 Budget, which will incorporate the revenues and expenses for the Small Business CARES Relief Grants as well as two proposed economic stimulus programs being considered by the Legislature.

- 19. Report on PPRF-2021A Bond Sale.** Mr. Michael Zavelle presented the PPRF 2021A Bond Sale Report.

The PPRF senior lien tax-exempt 2021A series bonds were sold February 18, 2021 in the par amount of \$39,535,000 with \$41,655,000 in non-stock orders received from institutional and one retail investor. Lead manager was JP Morgan with co-managers Bank of America and RBC. Board member Leslie

Nathanson Juris served as Board designee. The bonds will close on March 4, 2021.

The PPRF 2021A tax-exempt bonds mature in 2045 with an average life of 8.11 years and an effective interest rate on a true interest cost (TIC) basis of 1.50% benefitting from the current historically low interest rate environment. The 10-year call is June 1, 2031.

The municipal bond market functioned very well in the early days of 2021 with ratios to US Treasuries suggesting that municipal bonds have been over valued thus greatly benefitting issuers with demand exceeding tax-exempt supply. With relatively large basis point moves in the Treasury market the week of the sale, corrections to the over valuing took place toward the end of the week with investors looking for higher yields in anticipation of further declines in the municipal market MMD pricing index. Consequently, the PPRF 2021A bonds, sold on a Thursday, saw less demand than sought and saw some upward adjustment in yields – 2 to 3bp from pre-marketing pricing. Some maturity par amount adjustments resulted with equivalent adjustment in final investor orders. At the end of the selling day, \$8,295,000 bonds remained unsold in maturities 2028, 2033 – 2035 and 2045 term bonds. Over subscription in other maturities was limited. Nevertheless, rates are at such low levels that final yields were still at lows for PPRF bonds.

Firms placing orders included firms that have been consistent investors in PPRF bonds including Blackrock (\$10.585M), Breckinridge (\$5,260M), Eaton Vance (\$4,810M), CW Henderson (\$4,490) and Travelers Insurance (\$3,740M). San Diego County, a former investor in the 2019B bonds, placed orders totaling \$10.065M. First time PPRF investors were Washington Crossing Advisors and United Missouri Bank.

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 February 17, 2021 via Zoom teleconference. Items discussed included the EnABLE project, December Financial Statements and Deloitte Advisory Project for Stimulus Programs.
- 21. Acceptance of the Financial Report for the Quarter Ending December 31, 2020.** Mr. Oscar Rodriguez and Mr. Norman Vuylsteke presented NMFA's balance sheet, income statement and cash flow statement as of December 31, 2020. Staff reported that the results still do not reflect an appreciable impact on revenues or expenditures from the Covid-19 health emergency. The financial statements reflect where NMFA was expected to be at this point in the business cycle, which is when NMFA pours cash built up in the bond debt service accounts out to the bond holders. Total net loan receivables stood at \$1,836.0 million at the end of the quarter.

Member Suazo moved, seconded by Member Burke, for acceptance of the Financial Report for the quarter ending December 31, 2020. The motion passed 9 – 0 on a roll call vote

22. Next Board Meeting

Thursday, March 25, 2021 – 9:00 a.m.
Via Zoom
Santa Fe New Mexico

23. Adjournment

Member Suazo moved, seconded by Member Nathanson-Juris, to adjourn the meeting. The motion passed 9 - 0. Meeting adjourned at 11:40 a.m.

The meeting adjourned at 11:00 a.m.

Rosie Nathanson Juris
Secretary

3/25/2011
Date