

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

**Minutes of Board Meeting**  
**August 24, 2021**  
**Via Zoom**  
**Santa Fe, New Mexico**

**Present:**

A.J. Forte	Executive Director, NMML
Andrew J. Burke	Chief Financial Officer - NMSU
Jon Clarke	Designee, NM Economic Development
Judi Kahl	Designee for Secretary, NM Environment Dept.
Katherine Miller, Chair	Santa Fe County Manager
Marcos Trujillo	Designee for Secretary, Dept. of Finance/Admin.
Martin Suazo	Public Member, Las Vegas, NM
Matthew Lovato	Designee for Secretary, NMENRD

**Absent:**

Leslie Nathanson-Juris, Board Secretary	Public Member, Santa Fe, NM
Steve Kopelman	NMC

**Finance Authority Staff:**

Angela Quintana	Bryan Otero
Carmela Manzari	Charlotte Larragoite
Connie Marquez	Dan Opperman
John Brooks	Joe Maldonado
LaRain Valdez	Leslie Medina
Lynn Taulbee	Mark Lovato
Mark Montoya	Martin Ortega
Mary Finney	Marquita Russel
Michael Vonderheide	Michael Zavelle
Norman Vuylsteke	Oscar Rodriguez
Rio Trujillo	Ron Cruz
Ryan Decker	Ryan Olguin
Susan Rodriguez	Todd Johansen

**Guests:**

Luz Carreon	
Regina Gayson	RBC Capital Markets
Justin Horwitz	
Jenica Jacobi	
Kaeley Weimerskirch	RBC Capital Markets
Helen Atkeson	Hogan Lovells
Jerry Kyle Jr.	Orrick, Herrington, & Sutcliffe

Steven Lynn  
C. Adam Thornton  
Scott Grady  
Erik Harrigan  
Craig Dussinger  
Stevie Olson  
Susen Ellis  
Suzanne Bruckner  
Leo Valdez  
Mark Sanchez  
Mitch Mosesman  
Adam Bauer

Los Alamos County  
PID Mirador  
  
RBC Capital Markets  
Bank of America  
LFC  
BOKF  
Sutin Thayer & Browne  
Municipal Capital Markets Group, Inc.  
Albuquerque-Bernalillo WUA

**1. Call to Order and Roll Call.** Chair Katherine Miller called the meeting to order at 9:00 a.m. A roll call established a quorum.

**2. Approval of Agenda.**

**Member Suazo moved, seconded by Member Forte, to approve the agenda. The motion passed 8 - 0.**

**3. Approval of the July 22, 2021, Board Minutes.**

**Member Suazo moved, seconded by Member Forte , for approval of the July 22, 2021, Board minutes. The motion passed 8 – 0.**

**4. Consideration and Recommendation for Approval of 2021 Open Meetings Act Resolution.** Staff recommends approval and adoption of the 2021 Open Meetings Resolution.

The Finance Authority Board is subject to the provisions of the Open Meetings Act. The Open Meetings Act, Section 10-15-1(D), NMSA 1978 requires the Board to determine annually what constitutes reasonable notice of public meetings.

**Member Suazo moved, seconded by Member Forte for approval of the 2021 Open Meetings Act Resolution. The motion passed 8 – 0 on a roll call vote.**

**5. Consideration and Recommendation for Approval of 2021 Inspection of Public Records Resolution and Policy.** Staff recommends approval and adoption of the 2021 Resolution for Inspection of Public Records and Policy.

The Resolution provides for adoption of the Finance Authority’s Policy for Inspection of Public Records for 2021. The Policy sets forth the procedures for persons requesting access to public records, and otherwise complies with the requirements of the Inspection of Public Records Act §14-2-1 *et seq.*, NMSA 1978, as amended and supplemented from time to time.

**Member Suazo moved, seconded by Member Forte, for approval of the 2021 Inspection of Public Records Resolution and Policy. The motion passed 8 – 0 on a roll call vote.**

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

- ◆ *Executive Committee:* The Executive Committee met on August 16 to review the proposed PPRF Special Assessment District and Public Improvement District Credit Policy. The Committee discussed using the PPRF for public-private partnership projects. The Committee voted to forward the policy to the Public Lending Committee for review and to potentially make a recommendation to the Board. The Committee also reviewed the CEO's goals for the upcoming year.
- ◆ *Staffing Update and Return to Office:* NMFA's staff returns to the office for the first phase of the hybrid operations on September 7. The first phase includes a minimum of two days in the office. All employees returning to the office are required to provide proof of vaccination and consistent with the Governor's Health Order, indoor masking is now required of all employees and guests.

Adam Johnson, Chief of Program Operations, who had been on paternity leave, is now back to work. Mona Killian, NMFA's long-time Security Analyst, and Alex Orozco, a Funding Coordinator, both left their positions. Jolin Anaya has been hired to fill the Funding Coordinator position and joins new employees Ryan Decker, Managing Director of Credit, and Mark Montoya, Regional Finance Manager. Ms. Susan Pittard will be joining NMFA as Legal Counsel in mid-September, bringing total staff numbers to 52, with five new positions and two vacancies left to fill.

- ◆ *Oversight Committee Hearing:* The NMFA Oversight Committee met in Chaparral at the beginning of August. Mr. Oscar Rodriguez and Ms. Russel presented on NMFA operations and the PPRF. Additionally, Ms. Russel provided the Committee with an update on the Stimulus Programs and presented the New Mexico Access to Capital Report produced by the Council of Development Finance Agencies. CDFEA identified fragmented program throughout the State, lack of coordination, capital outlay reform, and need for better coordination. Ms. Mary Kay Papen, Colonias Infrastructure Board Vice Chair, and Ms. Russel stood in for Mr. Doug Moore, long-time chair of the Colonias Infrastructure Board, who was scheduled to present an update on the CIB and the Colonias Infrastructure Project Fund. Sadly, Mr. Moore passed away suddenly on July 30 leaving a huge hole in the governance of the CIB. Ms. Russel noted Mr. Moore will be incredibly hard to replace.

**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), and Mr. Steve Kopelman (Mr. Leandro Cordova).*)

**7. Update on Activities.** The Public Lending Committee met on August 18, 2021, via Zoom teleconference with Members Forte, Kahl, and Trujillo present. Staff presented the following which the Committee discussed and recommended for approval:

1. *PPRF Special Assessment District and Public Improvement District Credit Policy:* The Committee reviewed the proposed policy governing the underwriting and structuring of SAD and PID projects in the PPRF.
2. *Local Government Planning Fund:* The Committee reviewed an application from the LGPF and recommended for approval as part of a consent agenda.
3. *Public Project Revolving Fund:* The Committee reviewed ten PPRF applications and based on their size and complexity, four projects were placed on the consent agenda and six were placed on the regular agenda for consideration.
4. *Drinking Water State Revolving Loan Fund:* The Committee reviewed one loan amendment from the DWSRLF. Lower Rio Grande Water and Wastewater Authority requested additional funds a

result of higher construction costs.

5. *Water Trust Board*: The Committee reviewed two revised approvals for Water Trust Board initially approved as 40% loan/60% grant. The communities requested that the Board reconsider the loan percentages. Based upon new information provided by Albuquerque Bernalillo County Water Utility Authority and Eastern New Mexico Water Utility Authority the two projects qualify as 10% loan / 90% grant loans.

**8. Consideration and Recommendation for Approval of Capulin MDWCA (Rio Arriba County) – Preliminary Engineering Report – PG-5628.** The Capulin MDWCA (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a Preliminary Engineering Report (“PER”) to assess the water system which is over 30 years old and is experiencing ongoing water outages.

**9. Consideration and Recommendation for Approval of Curry County, Broadview VFD– 2022 Fire Equipment Loan – PPRF-5622.** Curry County (“County”) on behalf of Broadview VFD (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for \$305,524 to purchase a new Pumper/Tanker apparatus.

The Department currently has an ISO rating of eight with two main stations receiving an annual base distribution of \$104,836 from State Fire Protection Funds. The County will contribute \$100,000 in carry-forward funds toward the project. Considered a disadvantaged entity, the County will receive a 2% disadvantaged interest rate determined at closing.

The 2020 audit received an unmodified opinion with 2 findings neither a material weakness nor a significant deficiency. The County provided a corrective action plan

**10. Consideration and Recommendation for Approval of Town of Dexter (Chaves County) – 2022 Land Purchase Loan– PPRF-5627.** The Town of Dexter (“Town”) applied to the Public Project Revolving Fund (“PPRF”) for \$220,000 to finance a land purchase.

The proceeds will be used to purchase 80 acres east of the Town’s Stone Well, and a 600,000-gallon storage tank which supplies water for the Town. The land is adjacent to the Town’s Stone Well and storage tank through a 20’ pipeline easement and would secure locations for new well sites. The property has been appraised and will require NMTRD-PTD’s review and approval.

The Town will pledge Net System Revenue of the Joint Utility consisting of Water, Wastewater and Sewer funds. The Solid Waste revenue which cannot be pledged toward the project is excluded.

The 2020 audit received an unmodified opinion with two material weaknesses. The Town provided a corrective action plan.

**11. Consideration and Recommendation for Approval of Village of Magdalena (Socorro County) (- 2022 Law Enforcement Equipment Loan - PPRF-5623.** The Village of Magdalena (“Village”) applied to the Public Project Revolving Fund for \$66,416 to finance the costs associated with the purchase of a new police vehicle and corresponding equipment.

The Village receives an annual distribution of \$20,600 from State Law Enforcement Protection Funds which will be pledged as the revenue source for this loan.

The 2020 audit received an unmodified opinion including two material weaknesses and six significant deficiencies. The City provided a corrective action plan.

- 12. Consideration and recommendation for Approval of Dexter Consolidated School District (Chaves County) – 2021 Education Technology Note – PPRF-5626.** The Dexter Consolidated School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$400,000 to finance the purchase of Education Technology Equipment for District-wide projects.

The proceeds will be used for Education Technology equipment including security cameras, upgrading servers, server for cameras, computers, Chromebooks, laptops, backup and recovery appliance, printers, switches, etc.

The District will enter into a lease-purchase agreement with the NMFA secured by ad valorem property taxes. Under the terms of the agreement, the NMFA takes title to the equipment for the length of the agreement in the nature of a security interest with the District retaining all ownership responsibilities.

The 2020 audit received an unmodified opinion with two findings neither a significant deficiency nor a material weakness. A corrective action plan was included with the application.

**Member Suazo moved, seconded by Member Clark, for approval of Consent Agenda Projects PG-5628, PPRF-5622, PPRF-5627, PPRF-5623, and PPRF-5626. The motion passed 7 – 0 on a roll call vote with Member Lovato absent for the vote.**

- 13. Consideration and Recommendation for Amended Approval of Lower Rio Grande WWA (Doña Ana County) – Construction of Central Operations Building – DW-4213.** Lower Rio Grande Public Water Works Authority (“Authority”) requested an increase in the loan amount for DW-4213 a result of project bids coming in higher than previous cost projections and bids.

In February 2018, the Authority received approval from the Board for \$3,285,288 to fund a central operations and maintenance building to house Administration, Finance, Operations and Projects departments. The approval consisted of a loan in the amount of \$2,685,288 and DWSRLF disadvantaged rate loan for \$600,000.

The Authority is requesting additional funds of \$300,000 for a new loan in the amount of \$3,586,286. The DWSRLF principal market loan will be \$2,246,825 and the new disadvantaged loan component will be \$1,000,000 with the new coverage ratio at 1.50xs.

The NMFA will also be updating the loan funding package to the new DWSRLF policies adopted June 2019, specifically adjusting the terms on the unencumbered funds by lowering the market interest rate from 2% to 1%, forgiving the COI, and increasing the disadvantaged rate (.25%) from \$600,000 to \$1,000,000. In addition, the loan includes project funds drawn in the amount of \$338,463 under the previous approved project fund and interest and COI due on those draws at a blended rate of 1.59%.

**Member Burke moved, seconded by Member Suazo, for approval of Project DW-4213. The motion passed 8 – 0 on a roll call vote.**

*Agenda items 14 and 15 were considered for approval with one motion.*

- 14. Consideration and Recommendation for Amended Approval of ABCWUA (Bernalillo County) – To’Hajiilee Water Supply Pipeline – WPF-5402.** Construct approximately 7.4 miles pipeline to To’Hajiilee Navajo Chapter from ABCWUA existing storage tanks on Albuquerque’s west side. Recommended funding: 90% grant - \$6,937,444 and 10% loan - \$770,000 totaling \$7,708,271.

Based upon new information provided by Albuquerque Bernalillo County Water Utility Authority requesting reconsideration of the loan percentages, staff concluded that the analysis should be based upon the rates and revenues of the To’Hajiilee Chapter of the Navajo Nation, the community being served under the project. The WTB considered the additional information and recommends approval of the project as a 10% loan / 90% grant.

- 15. Consideration and Recommendation for Amended Approval of Eastern NM Water Utility Authority Amended Approval (Roosevelt County) – Pipeline Conveyance Project – WPF-5416.** Design completion and construction of interim ground water pipeline including ROW easements. Recommended funding: 90% grant - \$6,937,445 and 10% loan - \$770,827 totaling \$7,708,272

Eastern New Mexico Water Utility Authority requested that the membership fees charged to the member communities not be considered as ‘rate-paying constituency’ as outlined in the Water Trust Board Policies. The WTB considered the additional information and recommends approval of the project as a 10% loan / 90% grant.

**Member Suazo moved, seconded by Member Forte, for approval of Projects WPF-5402 and WPF-5416. The motion passed 8 – 0 on a roll call vote.**

- 16. Consideration and recommendation for Approval of PPRF Special Assessment District and Public Improvement District Credit Policy.** Approval of a Policy governing PPRF loans to Special Assessment Districts (“SAD”) and Public Improvement Districts (“PID”).

SADs and PIDs are two financing vehicles in New Mexico that provide a way for public infrastructure to be developed by the private sector and paid for by benefitting landowners. Because PIDs and SADs loans are secured by levies and assessment on land parcels, the repayment of these loans is viewed by rating agencies as similar to general obligation bonds. Therefore, the biggest issues for NMFA are reputation risk and timing risk.

The infrastructure financed falls within the core mission of the PPRF. The question of whether NMFA should participate in these transactions seems to revolve around whether the low subsidized interest rates provided by the PPRF are appropriate for developer-driven transactions. NMFA is not a political organization; however, financing provided to developers may be seen as politically motivated. NMFA can mitigate some of this reputation risk by ensuring that the governing body that creates the SAD or PID has taken proper steps in vetting applications and negotiating development agreements.

Because SADs and PIDs are secured by levies and assessments on land parcels, the repayment risk

calculation is timing risk; that is, it is not whether the PPRF will be repaid, but when the PPRF will be repaid. The most efficient way to mitigate the timing risk is to structure loans with most of the principal due towards the end of maturity. This allows the governing body to foreclose on properties in the event a landowner fails to make payments. If the payments come in as expected, then the loan is prepaid, and the duration of the loan shortened.

The PPRF has been a source of funding for SADs for more than 20 years and for PIDs for more than 10 years. The PPRF is an attractive source of financing for SADs and PIDs because the PPRF does not risk-adjust for pricing, instead structuring for risk mitigation. As a result, the cost of financing outside the PPRF is higher and these costs are passed along to the landowners in the form of higher payments.

The performance of the SAD loans within the PPRF over the 20 years has generally been very good. During the 2011 recession, a Rio Rancho SAD loan had to be restructured to accommodate the city's desire to not foreclose on too many properties at any given time. The PPRF has only financed two PIDs to date. The first PID loan was to the Angel Fire PID which had to be restructured because development on the underlying properties did not occur as anticipated. The second PID loan closed in early 2020 and to date has performed as expected.

In the two instances referenced above, NMFA was able to restructure the loans without material impact to the PPRF. This is because the PPRF bond portfolio enjoys a healthy debt service coverage that allows excess revenues from equity loans to help fill any gaps that occur as a result of a restructured loan. Another lender would likely not have been in a position to be as patient as NMFA and the result might have caused further economic unrest in these communities as the loan remedies would have caused a glut of foreclosures.

Staff has determined that the increase of PID and SAD loans does not threaten the long-term outlook for the PPRF portfolio. The reason is that with few extreme exceptions, the PPRF program will ultimately collect all of the funds due to it from every PPRF loan. As discussed previously, these loans fall into that category. Because the PPRF has no standalone bonds – all loan and GGRT revenues are pledged equally to all PPRF bonds -- the high debt service coverage in the PPRF and the annual inflow of GGRT provide cushion to the timing risk posed by the individual SAD and PID loans.

The proposed policy presented for Board consideration has been informed by NMFA's experience with SAD/PID loans to date, and with a focus on reputation risk and timing risk. The policy is designed to ensure the following:

- ◆ Informed governing bodies selecting and forming districts properly
- ◆ Loan payments matching the timing/completion of development projects
- ◆ Conservative debt service coverage, debt service reserve requirements and mandatory prepayments from excess revenues
- ◆ Reimbursement for completed infrastructure

Ms. Russel reviewed the proposed PID and SAD credit policies in detail. Chair Miller and Members Forte and Suazo voiced support for the proposed policies.

**Member Forte moved, seconded by Member Suazo, move the approval of PPRF Special Assessment District and Public Improvement District Credit Policy. The motion passed 8 – 0 on a roll call vote.**

**17. Consideration and Recommendation for Approval of Mirador Public Improvement District (Los Alamos County) – Series 2022 Special Tax Levy Bond – PPRF-5610.** The Mirador Public Improvement District (“PID”) applied to the Public Project Revolving Fund (“PPRF”) for \$5,691,872 to fund public improvements identified in the District’s Infrastructure Development and Acquisition Agreement and various other formation documents.

The District was formed in October 2018 comprised of approximately 47.298 acres of Tract A-19-A-1 located at the northeast corner of the intersection of SR 4 and Sherwood Boulevard continuing west along SR 4 to approximately Pajarito Road. The District is anticipated to consist of one hundred sixty-one single-family homes, fifty-seven multi-family dwelling units, and approximately four thousand two hundred fifty square feet of commercial/retail space. The appraisal estimated the value of the completed construction at \$75M.

The County will own, operate, maintain, and repair all public infrastructure conveyed by the District to the County with the developers responsible for all development costs. For this financing, the District will issue bonds payable by the imposition of a special tax levy upon the portion of the land within the boundaries of the District.

The annual special levy shall constitute a lien on the property subject thereto which shall have priority co-equal to the lien of general ad valorem property taxes. The District imposed its first special tax levy in FY2021 at the maximum annual special tax levy rate allowed per lot. The maximum annual special tax levy imposed in FY2021, and to be imposed in subsequent years, totals \$413,386. The non-debt service expenses included in the special tax levy are the County’s 2% cost for billing and collecting the special tax levy (~\$8,268) and the District’s administrative expenses, which are estimated to be around \$57,290. This allows a net special tax levy amount of \$347,828 available for debt service.

Incorporated into the interest rates for the first ten years is a 15bp premium spread which allows for a mandatory redemption using prepayments of the special tax levy revenues to prepay debt service. The optional redemption will remain at the standard ten years. As prepayments are applied over time, overall coverage on the loan will grow provided that future delinquency rates do not increase significantly.

The District will fund a debt service reserve fund and will also provide an additional enhanced form of security in the form of a Letter of Credit (“LOC”) in the amount equal to the Debt Service Reserve Requirement (“Reserve Requirement”). The LOC will be backed, as to the LOC issuer, by financial guarantees of the Developer (“Developer”) of the District. The Bond Indenture (“Indenture”) will covenant the District to first draw on the LOC for any shortfalls in debt service payments and the developer to replenish the LOC to its original amount after such draw. The LOC will be released once the Supplemental Debt Service Reserve Fund (“SDSRF”) is fully funded.

When fully funded, the SDSRF will replace the LOC to provide additional reserves for the remainder of bond term. The PID will be covenant by the Indenture to first draw on the SDSRF for any shortfalls in debt service payments and replenish the SDSRF to the Reserve Requirement through the annual special levies. Therefore, the total reserves on the bonds in any given year, i.e., the Reserve Fund and



LOC/SDSRF combined, will equal two years of maximum annual debt service, in addition to the 125% debt service coverage.

State Audit Rules did not require the District to furnish an external financial audit since its revenue has not historically exceeded the minimum \$10,000 threshold. Fiscal Year 2021 will be the District's first audit.

Mr. Steve Lynne voiced the County's support for the project mentioning the need for housing and staff in Los Alamos County. Mr. C. Adam Thornton, project developer, reported on the project status and number of houses completed to date.

**Member Forte moved, seconded by Member Suazo, for approval of Project PPRF-5610. The motion passed 8 – 0 on a roll call vote.**

*PPRF agenda items 18 – 22 were considered for approval via one vote.*

- 18. Consideration and Recommendation for Approval of Village of Los Ranchos (Bernalillo County) – Series 2022 General Obligation Bond Refunding – PPRF-5629.** The Village of Los Ranchos (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,905,000 to refund non-NMFA Series 2007 Public General Obligation Bonds for economic savings.

The Series 2007 loan closed in August 2007 for \$3,600,000 with a call date of August 1, 2017. The proceeds of the loan were used to acquire open space within the Village.

The loan is presented with 75bp added to the rates. Based on the current market environment, the refunding of the Series 2007 loan would likely achieve a net present value savings of approximately 9% equating to an estimated \$166,000 over the life of the refunding loan. The final maturity matches the term of the refunded bonds.

The Village will pledge ad valorem taxes levied against all taxable property within the Village without limitation as to rate or amount for the repayment of the loan. The Village's debt service coverage is 1.00xs.

The 2020 audit received an unmodified opinion with one finding neither a material weakness nor a significant deficiency.

- 19. Consideration and Recommendation for Approval of Gadsden Independent School District (Otero and Doña Ana Counties) – Series 2022 General Obligation Bond – PPRF-5611.** Gadsden Independent School District (“District”), applied to the Public Project Revolving Fund (“PPRF”) for \$9,500,000 for school infrastructure identified in the 2021-2026 Facility Master Plan.

In February 2018, the District received voter approval of \$38,000,000 for school improvements valid for four years. The District will issue General Obligation Bonds in the amount of \$9,500,000 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 2020 audit received an unmodified opinion with one finding neither a material weakness nor a significant deficiency. A corrective action plan was submitted.

- 20. Consideration and Recommendation for Approval of Moriarty-Edgewood School District (Torrance County) – Series 2022 General Obligation Bond – PPRF-5624.** Moriarty-Edgewood School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$3,000,000 to finance various school projects and improvements.

In 2018, the District received voter approval for \$20,000,000 to construct, remodel, make additions and furnish school buildings, purchase, or improve school grounds, or any combination within the District valid for four years. The District will issue General Obligation Bonds totaling \$3,000,000 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 2020 audit received an unmodified opinion with two findings, neither a material weakness nor a significant deficiency. A corrective action plan was provided.

- 21. Consideration and Recommendation for Approval of Lordsburg Municipal School District (Hidalgo County) – Series 2022 General Obligation Bond – PPRF-5625.** The Lordsburg Municipal School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,500,00 to finance projects within the District.

The District received voter approval in February 2021 for \$2,000,000 to construct, remodel, make additions and furnish school buildings, purchase, or improve school grounds, or any combination of thereof valid for four years. The District will issue General Obligation Bonds for \$1,500,000 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 2020 audit received an unmodified opinion with five findings none a material weakness nor a significant deficiency. The District provided a corrective action plan.

- 22. Consideration and Recommendation for Approval of City of Moriarty (Sandoval County) – Series 2022 Refunding - PPRF-5605.** The City of Moriarty (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$785,000 to refund 1999 USDA loan, a non-NMFA loan, for economic savings.

The loan closed on August 5, 1999, with a par amount of \$1,110,000 to acquire and construct water lines and related facilities within the City. The City will pledge the Net System Revenues of the Water Utility funds towards repayment of the loan.

Under current market conditions, the refunding is expected to achieve actual savings of approximately \$153,583 through maturity representing net present value savings of more than

21.03% over the remaining life of the loan. The maturity of the refunding bonds matches the terms of the refunded loan

The 2020 audit received an unmodified opinion with no findings.

**Member Suazo moved, seconded by Member Kahl, for approval of Agenda Items 18 – 22, PPRF Projects PPRF-5629, PPRF-5611, PPRF-5624, PPRF-5625, and PPRF-5605. The motion passed 8 – 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.*)

- 23. Update on Activities.** The Economic Development Committee met via Zoom teleconferencing on August 17, 2021 with Members Clark, Lovato and Kahl in attendance. Staff reviewed the Portfolio Report noting that all transactions are current.

Staff reported a change of collateral for the Exit Fee for the El Encanto NMTC transaction. Subsequent to the Board’s Final Approval of the transaction in July, Wells Fargo offered to provide El Encanto with a seven-year Irrevocable Letter of Credit to be used as collateral in lieu of a Surety Bond for the “B” Note Exit Fee. Staff and FNM’s Counsel determined that this change improves the collateral for FNM and is otherwise substantially consistent with the Board approved term sheet. Thus, the substitution of collateral does not require additional Board action.

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

- 24. Update on Activities.** A quorum of the Finance & Disclosure Committee met on August 18, 2021, via Zoom teleconference with Members Suazo, Forte, Clark, and Trujillo present. Staff presented the FY 2021 Budget Performance Report, explaining that both revenues and expenditures were lower than anticipated, primarily due to the timing of the LEDA Grant program. The Committee unanimously recommended the Board accept the FY 2021 Budget Report as presented.

- 25. Acceptance of the Year-End FY2021 Budget Performance Report.** Mr. Oscar Rodriguez presented the 4<sup>th</sup> quarter and year-end report for period July 1, 202 through June 30, 2021. The FY 2021 closed \$62.3 million below the total revenue budget and \$70.0 million below the total expenditure budget. The lower than budgeted revenue and lower expenditures were driven by LEDA and the water programs. Excluding the new grant programs, NMFA’s programs performed as planned with GGRT coming in slightly higher than anticipated. The fiscal year ended with NMFA’s revenues and operating expenditures substantially under budget, \$0.6 million (7.1%) and \$1.3 million (10.2%) respectively. The only category where actual exceeded budget was capital expenditures, \$0.7 million vs. \$0.6 million. This occurred because the new technologies that were acquired to support SBRL, CARES, and LEDA proved more costly than expected.

**Member Suazo moved, seconded by Member Clark, for Acceptance of the Year-End FY2021 Budget. The motion passed 8 – 0 on a roll call vote.**

**26. Report on NMFA NMDOT 2021A Bond Sale.** Mr. Michael Zavelle presented the report on the NMDOT 2021A bond sale. The NMDOT subordinate lien tax-exempt 2021A series bonds were sold July 27, 2021, in the par amount of \$234,600,000 with \$1,475,830 in non-stock orders received from institutional investors. Lead manager was Wells Fargo with co-managers JPMorgan and Morgan Stanley. Board Member Nathanson Juris served as designee. The bonds closed August 11, 2021.

The NMDOT 2021A tax-exempt bonds mature in 2030 with an average life of 7.17 years and an effective interest rate on a true interest cost (“TIC”) basis of 0.79%. The non-callable bonds produced \$302.4 million for New Mexico road projects. In addition to ratings by Standard & Poors (AA) and Moody’s (Aa2), both capped by the State’s bond rating, the NMDOT bonds were also rated for the first time by Kroll (AAA).

Low yields with some inflation prospects have recently produced episodes of investor resistance. With this in mind, the underwriters and the financial advisor agreed to go to market with consensus pricing considered tight. The result was an issue oversubscribed by 6.3X and an unusually high final reduction in pricing from 4 to 9 basis points that produced an added \$1,084,215 in road project funds. More typically, bonds when oversubscribed result in basis point adjustments of 1bp to 3bp. Non-stock orders totaled \$1,475,830,000. In comparison, PPRF bonds currently outstanding total \$1,242,620,000.

Investors participating in the NMDOT bond offering included both existing holders of NMFA bonds (PPRF & NMDOT) and important new investors. Vanguard, an existing investor, put in an order for all of the \$2346MM on offer as did Gannett, Welsh & Kotler, a new investor. Other orders above \$70 million were: Lord Abbett \$110MM (new), Blackrock \$87MM (existing), American Century \$74MM (new) and Rochester Funds \$74MM (new).

Mr. Zavelle provided a summary of 2021A bond pricing with investor information and a DBC report providing relevant information on final structuring of the NMFA NMDOT 2021A bonds.

**27. Report on PPRF 2021C Bond Sale.** Mr. Zavelle provided a summation of the PPRF senior lien tax-exempt 2021C series bonds which sold August 18, 2021 in the par amount of \$43,610,000 with \$33,895,000 in non-stock orders from institutional investors. Lead manager was Bank of America with co-managers Wells Fargo and Stifel Nicolaus. Board Member Steve Kopelman served as designee. The bonds close August 31, 2021.

The PPRF 2021C tax-exempt senior lien bonds mature in 2036 with an average life of 7.78 years and an effective interest rate on a true interest cost (TIC) basis of 1.33%. The bonds reimbursed \$25.9 million of PPRF loans and produced \$29.129 million in project funds for the UNM Cancer Center compared to a \$28 million target

While the NMDOT bond sale three weeks prior was 6 times oversubscribed by investors and the PPRF 2021B bond sale two months prior was .88 times subscribed, the PPRF sale was slow going and ended with .78 times subscription only after yield adjustments – \$11.8 million was underwritten. While market conditions, market volume and bond maturity structuring on any given day ultimately determine the market reception for bond issues, NMFA’s sale of \$310 million via three bond issues over a two-month period in similar low interest rate environments allows for some consideration of the metrics used to measure “success” of the NMFA bond sale programs.

Investors participating in the PPRF 2021C bond offering included existing top PPRF investors. BlackRock (#1 PPRF investor rank) submitted orders of \$11 million. JPMorgan (#5 rank) submitted orders of \$9.175 million. Nuveen (#8 rank) submitted orders of \$7.9 million. CW Henderson (#15 rank) submitted orders of \$3.77 million. Vanguard (#11 PPRF rank and #1 overall holder of NMFA bonds) submitted orders of \$3 million. Goldman Sachs (#6 rank) submitted retail orders of \$25K. There were no investors new to the PPRF. In general, results of the PPRF 2021C bond sale reflect investor resistance to the absolute level of yields for high- grade issuers. Mr. Zavelle provided a summary of 2021C bond pricing with investor information; and a DBC report providing relevant information on final structuring of the NMFA PPRF 2021C bonds.

**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, scheduled for August 18, 2021, did not attain a quorum. Chair Andrew Burke was in attendance and received a briefing on the following items:

1. *Finance New Mexico, LLC External Audit (NMTC Program)* – Frank Buss and Erin Ness, representing Novogradac LLC, reported that the audit of Finance New Mexico, LLC and related entities was complete, and that no significant errors or control weaknesses were found. Their report will be incorporated into NMFA’s complete audit as a blended component unit.
2. *External Audit work plan update* – Aaron Hamilton, representing Moss Adams LLC, reported that their work was proceeding as set out in the work plan and that the Exit Conference was on track for September 23, 2021. Staff reported that most of the 204 requested schedules and documentation items have already been submitted, including the year-end financial statements. The remainder of the items are scheduled for delivery in the next couple of weeks, including the first draft of the Comprehensive Annual Financial Report.
3. *June Financial Statements* - Staff presented the financial statements that have been submitted to the auditors. It was noted that besides the cash received from the State for the emergency stimulus programs, June 2021 proved very similar to June 2020.

Staff also reported that, while COVID-19 has not had an appreciable impact on NMFA’s financial performance, it does appear to be contributing to the slowdown of construction spending in the federal Drinking Water program as Water Program Asset Turnover rose slightly from 32% to 33%. This emerging trend shows up as a decrease in reimbursement requisitions and grant expense and revenue. It’s not yet certain if this is a short- or long-term trend. Other trends from the financial indicators:

- Unrestricted cash of \$9.7 million (not including \$6.0 million encumbered for NMTC), has stayed steady and represents about 8 months of NMFA’s operating budget.
- Cost per loan receivables remains steady at less than \$0.06/dollar.
- PPRF Current Ratio jogged upwards as the result of the redemption of \$61.5 million in 2011 bonds on June 1, 2021. The redemption also produced a similar, yet bigger, movement in the PPRF Bond Coverage chart, which ended up with a bond coverage ratio above 1.25 times.
- NMFA’s net position increased \$13.5 million from June 2020 and now stands at \$594.3 million.

**29. Acceptance of the June 2021 Financial Statements and Performance Indicators.** Mr. Oscar Rodriguez provided the Board with the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for NMFA as of June 30, 2021. The financial

statements for June are also the year-end statements provided to the external auditors to serve as the basis for the audit. Staff closed the general ledger and posted the financial statements in 42 days this month, which is due to final reconciliations of accounts and assuring all general ledger balances have been reviewed for accuracy prior to presentation of the FY 2021 Financial Statements.

**Member Burke moved, seconded by Member Suazo for Acceptance of the June 2021 Financial Statements and Performance Indicators. The motion passed 8 – 0 on a roll call vote.**

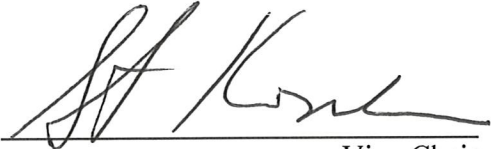
**30. Next Board Meeting**

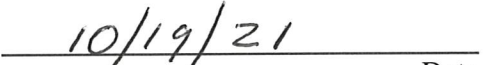
Thursday, September 23, 2021 – 9:00 a.m.  
Via Zoom  
Santa Fe New Mexico

**31. Adjournment**

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

The meeting adjourned at 11:00 a.m.

  
\_\_\_\_\_  
Vice-Chair

  
\_\_\_\_\_  
Date