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

Minutes of Board Meeting
November 18, 2021
Via Zoom
Santa Fe, New Mexico

Present:

A.J. Forte	Executive Director, NMML
Andrew J. Burke	Chief Financial Officer - NMSU
Judi Kahl	Designee for Secretary, NM Environment Dept.
Katherine Miller, Chair	Santa Fe County Manager
Marcos Trujillo	Designee for Secretary, Dept. of Finance/Admin.
Matthew Lovato	Designee for Secretary, NMENRD
Steve Kopelman, Vice-Chair	NMC

Absent:

Jon Clark	Designee for Secretary, NM Economic Development
Martin Suazo	Public Member, Las Vegas, NM

Finance Authority Staff:

Bryan Otero	Carmela Manzari
Charlotte Larragoite	Connie Marquez
Dan Opperman	Dora Cde Baca
John Brooks	Jolin Anaya
LaRain Valdez	Leslie Medina
Lynn Taulbee	Maria Gallardo
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 Pittard
Susan Rodriguez	Todd Johansen

Guests:

Stevie Olson	LFC
Susen Ellis	BOKF
Suzanne Bruckner	Sutin Thayer & Browne
George Williford	Hill Top Securities
Ryan Williams	
Timothy Dodge	City of Ruidoso
Shannon Aikman	Village of House

Markela Clinton	
Sherman Martin	Village of House
Patricia Holland	City of Gallup
Judi Starkovich	City of Ruidoso
M Antonucci	City of Raton
F Boyd	
Brad Angst	City of Lovington
C.B. Strain	
Jason Clark	AOC
Helen Atkeson	Hogan Lovells
Craig Dussinger	Bank of Albuquerque
Erik Harrigan	RBC Capital Markets
Karen Torres	
Rick Martinez	The Apricot Tree
Scott Berry	
Tasha Webster	
David Trujillo	City of Lovington
John Archuleta	Cities of Belen & Alamogordo
T Sykes	City of Belen

1.1 **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.

2.1 **Approval of Agenda.**

Member Forte moved, seconded by Member Kopelman, to approve the agenda. The motion passed –7 - 0 on a roll call vote.

3.1 **Approval of the October 28, 2021, Board Minutes.**

Member Forte moved, seconded by Member Trujillo, for approval of the October 28, 2021, Board minutes. The motion passed 7 – 0 on a roll call vote.

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

- ♦ *Small Business Recovery Grant Marketing Update:* The marketing campaign is underway and NMFA has seen a significant uptick in website visits and application starts since the campaign began. Staff extended the higher volume digital advertising and social media for several more weeks to help ensure that all eligible businesses are aware of the program. Ms. Russel provided an overview of the marketing campaign.
- ♦ *Proposed Legislation:* The NMFA Oversight Committee ("NMFAOC") will consider endorsement of legislation at the November 30, 2021, meeting. Staff is proposing its three standard bills:
  1. *PPRF Project Authorization Bill* – NMFA has contacted eligible entities and received 96 project authorization requests by the November 11 deadline. Project authorizations received after the deadline will be amended onto the bill during the session
  2. *PPRF Appropriation Bill* – The NMFA Act provides that 35% of the prior year GGRT may be appropriated to one of six programs delineated in the NMFA Act. This year the 35% target

equals $11.5 million. The omnibus appropriation bill combines the appropriations requested by Construction Programs Bureau, Department of Cultural Affairs and NMFA that combined have requested $14.2 million:

Though this amount exceeds the 35% target, NMFA believes that the PPRF can withstand the additional transfer out without a material impact to the program. However, staff is not recommending seeking an appropriation to the Local Government Planning Fund ("LGPF"). Typically, the appropriation to this program average $2.5 million which would put the total appropriation request in the $16-$17 million figure. The LGPF program has seen a decline in requests recently and staff believes the LGPF can continue to fund essential water and wastewater preliminary engineering reports until an appropriation can be made in FY 2023.

- *WTB Project Authorization Bill* – The Water Trust Board ("WTB") meets November 23 to identify the projects to be included in the recommendation to the Legislature.

  Staff will also be proposing the NMFAOC endorse legislation that eliminates four dormant programs: Child Care Revolving Loan Fund, Local Government Transportation Fund, Local Transportation Fund, and Water and Wastewater Project Grant Fund

  Staff will also propose that the WTB consider recommending endorsement of an appropriation to the Water Trust Fund to bring the corpus of the Water Trust Fund to it originally contemplated size of $100 million. Additionally, staff will ask the WTB to make a recommendation on eliminating the Acequia Project Fund. This program has never received an appropriation from the State and does not have a policy partner that is staffed as designed.

  Lastly, staff is proposing that the NMFAOC endorse legislation that amends the Primary Care Capital Act and the Behavioral Health Capital Act to allow these funds to also be used for working capital. Currently these programs may fund only land, building and capital equipment.

- *Cannabis Microbusiness Loan Program Overview* - This month staff is recommending approval of the rules and policies needed to implement the Cannabis Microbusiness Loan Program. This program will utilize $5 million in the Economic Development Revolving Fund not used for the Essential Services Working Capital Program. If approved by the NMFA Board, the rules will be presented to the NMFAOC at the November 30 meeting. The Statewide Economic Development Finance Act ("SWEDFA") requires that both the NMFA Board of Directors and the NMFAOC approve the rules for them to become effective.

4.2 Consideration and Recommendation for Approval of Rules Governing the Cannabis Microbusiness Program under the Statewide Economic Development Finance Act. Ms. Susan Pittard provided the program highlights on the rules governing the implementation of the program. The rules provide those loans of up to $250,000 may be made available to businesses that are licensed as microbusinesses by the Cannabis Control Division ("CCD") of Regulations and Licensing ("RLD"). The loans will have terms not to exceed five years and will be disbursed through requisitions for eligible uses (equipment, greenhouses or other structures, agricultural needs, and working capital). The rules further provide that the loans must be secured and that all Controlling Persons as described by RLD provide personal guaranties.

Member Forte moved, seconded by Member Lovato, for approval of the rules governing the Cannabis Microbusiness Program under SWEDFA. The motion passed 7 – 0 on a roll call vote.

4.3 **Consideration and Recommendation for Approval of Cannabis Microbusiness Program Policies.** Ms. Ryan Decker provided an outline of the policies governing the proposed Cannabis Microbusiness Policies.

Ms. Decker provided details on potential producers who have indicated an interest in seeking funding with application projected for submittal in late January or early February. Ms. Decker detailed the requirements potential producers will be required to meet.. Ms. Russel mentioned the selection process for the funding with preference given to those deemed disadvantaged. The policies provide those applications will be accepted monthly from licensed microbusinesses. Those licensed microbusinesses that meet the social, economic, demographic and/or other criteria determined by RLD will be given priority. Priority will otherwise be determined by the median household income where the business is located. The policies also provide Terms, Interest Rates, and Debt Service Coverage.

Member Forte moved, seconded by Member Kahl, for approval of the Cannabis Microbusiness Program Policies. The motion passed 6 – 0 on a roll call vote with Member Kopelman unavailable for the vote.

Public Lending Committee Report. (*Committee members are Mr. A.J. Forte, Chair, Secretary Debbie Romero (Mr. Marcos Trujillo), Secretary James Kenney (Ms. Judi Kahl), and Mr. Steve Kopelman (Mr. Leandro Cordova).*

5.1 **Public Lending Committee Report.** The Public Lending Committee met on November 10, 2021, via Zoom teleconference. Member Forte chaired the meeting with Members Cordova, Kahl, and Trujillo in attendance. Items discussed included:

- *Local Government Planning Fund:* The Committee reviewed an application from the LGPF and recommended it for approval as part of the consent agenda.
- *Public Project Revolving Fund:* The Committee reviewed eleven PPRF applications and recommended all for approval by the Board, two placed on the consent agenda and nine projects on the regular agenda.

  Staff provided an overview and recommended approval for the Administrative Office of Courts ("AOC") projects included on the agenda. The three projects associated with the item involves two requests for refunding and one request for additional funds to complete three new court facilities. The Committee discussed the lease agreements and how the lease payments will be made through the base rents of each facility. The Committee's principal concern was whether AOC would meet the schedules.

6.1 **Consideration and Recommendation for Approval of Regina MDWCA (Rio Arriba County) – Environmental Information Document– PG-5705.** The Regina MDWCA applied to the Local Government Planning Fund ("LGPF") for $50,000 to prepare an environmental information document to identify project needs, evaluate alternatives for addressing those needs, and assess environmental impacts.

7.1 Consideration and Recommendation for Approval for Village of House (Quay County) – 2022 Fire Equipment Loan – PPRF-5703. The Village of House ("Village") applied to the Public Project Revolving Fund ("PPRF") for $220,000 to finance the purchase of a fire apparatus and corresponding equipment.

The Village has an ISO class rating of seven with one main station receiving an annual base distribution of $55,501. The Village will pledge State Fire Protection Funds and is also contributing $150,000 from accumulated funds toward the purchase.

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

7.2 Consideration and Recommendation for Approval of Sierra County, Las Palomas Fire Department – 2022 Fire Equipment Loan. Sierra County ("County"), on the behalf of Las Palomas Fire Department ("Department") applied to the Public Project Revolving Fund ("PPRF") for $158,260 to purchase a brush truck and fire apparatus.

The Department currently has an ISO rating of five with one main station, receives an annual base distribution of $61,667 from State Fire Protection Funds, and will contribute $100,000 in carryover funds toward the project. Considered a disadvantaged entity the Department will receive a 2% disadvantaged interest rate determined at closing.

The 2020 audit received an unmodified opinion with two findings including a repeat significant deficiency. The County provided a corrective action plan.

Member Forte moved, seconded by Member Kahl, for approval of Projects PG-5705, PPRF-5703, and PPRF-5656. The motion passed 7 – 0 on a roll call vote.

Member Lovato departed the meeting at 10:30 am for a previous commitment.

8.1 Discussion of the Administrative Office of the Courts Loan. Appropriation Loans - Refunding and additional proceeds for the City of Lovington and City of Belen and additional proceeds for the Village of Ruidoso

Mr. Ron Cruz provided an overview of the Administrative Office of the Courts ("AOC") request to refund two PPRF loans and a concurrent request for additional funds to complete court facilities projects. AOC is also requesting additional proceeds for the Village of Ruidoso's project.

The following loans were previously approved by Finance Authority Board of Directors:
- PPRF-5023-City of Belen on 05/22/2020 in the amount of $5,835,000.
- PPRF-5016-City of Lovington on 04/10/2020 in the amount of $6,300,266.
- PPRF-5365-Village of Ruidoso on 12/31/2020 in the amount of $6,402,409.

The three municipalities applied for PPRF financing to construct new court facilities. Upon completion of the construction projects, the AOC will enter into long-term 30-year lease agreements with the municipalities who will pledge AOC base rent payments. AOC will begin making lease payments upon receipt of a certificate of occupancy for the new facilities. To allow for construction completion NMFA approved capitalized interest for the first two years of the loans.

The original RFP for these projects specified a standard shelled space that included prefab custom interior walls to allow for flexibility and shortened construction schedules. When the AOC started to price this concept with the original architect and contracted construction manager, AOC realized the concept would not be workable. Pricing for the original building concepts came in more than $2 million over budget, for each location. In addition, the construction manager estimated the prefab structure would have a lifespan of about 20 years.

AOC recently hired a new Facilities Manager, a licensed architect, to oversee the projects who advised rethinking the structure of the buildings. After consultation with AOC attorneys, the AOC decided the best course of action would be to terminate the contract with the original architectural firm and issue a new RFP, with the concept of developing a prototype magistrate court building using more traditional construction methods rather than prefab, in order to decrease overall costs and develop buildings with at least a 50-year lifespan. The RFP was designed to provide a fair opportunity for other architectural firms to submit proposals. The revisions to the building plans and overall construction process caused a delay in developing the architectural plans for the prototype buildings along with negotiating a contract with the new architectural firm.

All of this transpired in late spring of 2020, at the start of the COVID-19 pandemic. The pandemic caused its own delays, as AOC adapted its own operations to new safety protocols. The AOC was unable to execute a new contract with an architectural firm until the beginning of March 2021. Since then, AOC has been working with the architectural firm, construction manager, and municipalities to develop the prototype court design and implement that design in each municipal location. Using more traditional construction methods, the architect has been able to develop a design with a lifespan of at least 50 years, while meeting the needs of the courts and municipalities. The parties have all been working together to reduce construction cost estimates wherever possible.

The AOC removed furnishings and security equipment from the construction budgets and will be seeking special legislative appropriations to fill those needs. However, due to increased material and labor costs in the construction industry due to the pandemic, total construction cost estimates are still over the approved amounts of the original NMFA loans. The AOC and municipalities agree that no additional cuts can be made from the plans. The parties have all agreed on a set of construction documents which are ready to go out for bid to subcontractors. The AOC has requested NMFA issue new loans with total amounts that will cover the increased costs and allow for the new construction schedule. If they are able to keep on track for the current schedule, assuming approval of the new loans, they will be ready to start construction in all locations in March 2022, with completion targeted for early 2023.

Due to overall delays, two municipalities have requested all debt service payments that would come due during the currently approved loan structure be added to the new money components. The City of Belen is requesting reimbursement of money paid toward existing debt service and adding this debt service to the new loan. These amounts will be treated as separate loan components and book to the senior lien position.

Staff recommends approval of the two PPRF loans that will refund the original loan structures as well as provide additional funding to complete the three court facilities and allow AOC lease payments to begin. In addition, staff requests a policy waiver as outlined below:

The Subordinate Lien Indentures provide that the NMFA may enter into Annual Appropriation Agreements with Governmental Units; provided, however, that in no event shall the aggregate principal amount of all Outstanding Annual Appropriation Agreements at any one time exceed the amount of the Supplemental Credit Reserve Requirement for the Bond Fund Year in which the calculation is made." Board policy states: "Total subordinate lien State and Federal appropriation loans shall not constitute more than 2.0xs the amount on deposit in the Supplemental Credit Reserve Fund. State and Federal appropriation loans will not be placed in the senior lien"

Staff requests a policy waiver to allow the Ruidoso new money appropriation loan to be booked as a senior lien loan as the subordinate lien otherwise lacks sufficient capacity to fund all of the new money requirements. Federal tax law limits capitalized interest for tax-exempt loans to three years with limited provisions for extending the interest capitalization period. Federal tax law for taxable loans is less restrictive. Bond Counsel for the three municipalities issued a tax opinion that all three should be tax exempt loans. However, the three AOC loans will be closed as some combination of tax-exempt and taxable loans as originally approved by this Board.

The pledged revenue in the proposed PPRF loans for the City of Belen (PPRF-5695), City of Lovington (PPRF-5697) and Village of Ruidoso (PPRF-5698) are lease revenues the municipalities collect from the AOC. The NM Judiciary receives state appropriations on an annual basis to support its operating budget. Over the last three years state appropriations to the NM Judiciary have comprised ~2.6% of the state general fund operating budget. According to the NM Judiciary annual report, in FY 2020 the Judiciary's budget reached pre-recession levels for the first time in a decade after adjusting for inflation.

The underlying lease agreements for the proposed PPRF loans will have 30-year terms and annual lease payments will be calibrated to cover operating and maintenance costs together with principal and interest payments on the loans. Mr. Cruz provided an illustration of the current AOC budget for the three relevant locations, and the adjusted lease amounts that will be reflected starting in FY 2024 if the new PPRF loans are approved.

Items 8.2, 8.3, and 8.4 were considered for approval with one motion.

8.2 Consideration and Recommendation for Approval of City of Lovington (Lea County) - 2022 Refunding and Additional Proceeds Loan – PPRF-5697. The City of Lovington ("City") applied to the Public Project Revolving Fund to refund PPRF-5016 and also requested approval of additional funds due to escalating costs associated with construction and supply chain issues for a total amount of $8,132,376. Staff requests a policy waiver to allow the debt service reserve fund replenishment taxable loan component to be booked as a senior lien loan as the subordinate lien otherwise lacks sufficient capacity to fund all of the new money requirements.

The original loan closed on April 10, 2020, with a PAR amount $6,300,266 with a taxable and tax-exempt component. The purpose of the loan was to acquire the land located in Lovington, New Mexico and construction of a new courtroom and hearing room on the land, fund a loan agreement reserve account, fund a capitalized interest account, and pay related professional fees. NMFA approved a prepay provision allowing the original loan callable within 10-years with NMFA approval.

The pledge for the original loan is the base rent received by the City of Lovington pursuant to the Lease Agreement by and between the City of Lovington, as lessor, and AOC, as lessee, which provides for the operation of a magistrate court facility by the AOC at the Facility and which requires payments by or on behalf of AOC to the City of Lovington.

The loan is structured with capitalized interest for the first two years to give them time for site improvements and construction of the new facility. The additional proceeds will be used to cover the increased cost of construction materials and supply chain issues.

In addition, the municipality has requested that because of the overall delays, the debt service payments that would have come due during the currently approved loan structure, be added as a separate component of this loan.

The successful closing of these loans (PPRF-5696, PPRF-5697, PPRF-5698) will leave a zero net capacity for future considerations in the PPRF subordinate lien. The rates and structure presented in this write-up are the final rates and structure that will be used when the loan is finalized and closed

The 2020 audit received an unmodified opinion with sixteen findings four .material weaknesses. The City provided a corrective action plan.

Member Kopelman questioned why cities would want to proceed with these projects and why the AOC is unable to seek legislative funding. Discussion ensued regarding the requirement that counties provide facilities for the courts saying it does not make sense that the State is not taking responsibilities for magistrate courts. Member Forte mentioned the frustration on how the process has been managed historically which is not an efficient model. Chair Miller agreed and questioned why the AOC does not approach the Legislature for outright funding for the courts. Chair Miller also applauded the NMFA for working on ways to provide proper funding for court facilities.

Mr. Jason Clark, AOC, explained that when projects were started it was easier for the AOC to get authorization to pay leases rather than building court facilities outright. Moving forward, Member Kopelman said he does not want similar projects coming to the Board that places the responsibility on the NMFA, cities, or counties, and suggested sending a strong message to the AOC advocating for strong support.

8.3 Consideration and Recommendation for Approval of City of Belen (Valencia County) –2022 Refunding and Additional Proceeds Loan – PPRF-5696. The City of Belen (“City”) applied to the Public Project Revolving Fund (“PPRF”) for $7,555,000 to refund PPRF-5023 and request approval of additional funds due to escalating construction costs associated with supply chain issues.

The original loan closed on May 22, 2020, with a par amount of $5,835,000, the funding used to construct a new courtroom and hearing room to serve as the City’s Magistrate Court, fund a loan agreement reserve account, a capitalized interest account, and pay related professional fees.

Staff requests a policy waiver to allow the debt service reserve fund replenishment loan component to be booked as a senior lien loan as the subordinate lien otherwise lacks sufficient capacity to fund all the new money requirements.

The pledge for the original loan is the base rent received by the City pursuant to the Lease Agreement between the City and AOC providing for the operation of a Magistrate Court Facility by the AOC. NMFA approved a prepay provision allowing the original loan to be callable within 10-years. The City and AOC have also reached an agreement to allow the Municipal Court to use the hearing room, in exchange for the City providing security personnel for the facility.

The loan is structured with capitalized interest for the first two years to give them time for site improvements and construction of the new facility. The additional proceeds will be used to cover the increased cost of construction materials and supply chain issues. In addition, the municipality has requested that because of the overall delays, the debt service payments that would have come due during the currently approved loan structure, be added as the taxable component of this loan.

The 2020 audit received an unmodified opinion with seven findings including four material weaknesses. The City provided a corrective action plan.

8.4 Consideration and Recommendation for Approval of Village of Ruidoso (Lincoln County) – 2022 Refunding and Additional Proceeds Loan – PPRF-5698. The Village of Ruidoso ("Village") applied to the Public Project Revolving Fund ("PPRF") for $1,015,000 for additional funds due to escalating construction costs associated with supply chain issues.

Per Board Policy staff recommends a policy waiver to allow the debt service reserve fund replenishment loan component to be booked as a senior lien loan as the subordinate lien otherwise lacks sufficient capacity to fund all the new money requirements.

The proceeds will be added to previously approved NMFA loan PPRF-5365 which closed on December 31, 2020, with a par amount of $5,310,000. The loan was structured utilizing a premium structure which generated an additional $1,092,409.15 in project funds to construct a new court facility to serve as the Village Magistrate Court, fund a loan agreement reserve account, fund a capitalized interest account, and pay related professional fees. NMFA approved a prepay provision allowing the original loan to be callable within 10-years with NMFA approval.

The additional proceeds will follow the same premium structure as the original loan which cannot be easily refunded due to the premium structure. Therefore, the original loan will remain as previously approved by the NMFA Board and the Village will request only the additional proceeds to cover increases in construction cost with some changes.

The new proceeds will include capitalized interest for the first two years of the new loan as well as an additional year associated to the old loan which would have expired in March 2022 to allow them time for construction of the new facility. In addition, the proceeds will include the first payment due under the old loan since the AOC will not lease the building until after construction.

The pledge for this loan will the base rent received by the Village. The Village also requested that because of the overall delays, the debt service payments that would have come due during the currently approved loan structure, be added as the taxable component of this loan.

The 2020 audit received an unmodified opinion with no findings.

Member Forte moved, seconded by Member Trujillo, for approval of PPRF Projects PPRF-5697, PPRF-5696, and PPRF-5698. The motion passed 6 – 0 on a roll call vote.

Agenda items 8.5, 8.6, 8.7, 8.8, 8.9 and 8.10 were considered for approval with one motion.

8.5 Consideration and Recommendation for Approval of Village of Lovington (Lea County) – Series 2021 Refunding Loan – PPRF-5699. The City of Lovington ("City") applied to the Public Project Revolving Fund ("PPRF") for $1,931,612 to refund a non-NMFA 2015 privately placed loan for economic saving purposes.

The 2015 bonds were issued street and road improvements and improvements to Chaparral Park.

Under current market conditions, the refunding is expected to achieve actual savings of approximately $112,747 through maturity, which represents net present value savings of more than 6.67% over the remaining life of the loan. The maturity of the refunding bonds will be extended by one year.

The 2020 audit received an unmodified opinion with fifteen findings including four material weaknesses. The City submitted a corrective action plan.

8.6 Consideration and Recommendation for Approval of City of Raton (Colfax County) – 2022 Infrastructure Loan, Cimarron Pipeline - PPRF-5657. The City of Raton ("City") applied to the Public Project Revolving Fund ("PPRF") for $1,129,844 to upgrade and automate the Cimarron Pipeline pump stations which is over 38 years old and requires substantial upgrades.

The City pledged the Supplemental Municipal Local Option Gross Receipts Tax as security and repayment for the loan. The SMGRT is a gross receipts tax on taxable purchases not including food and medical payable by residents and visitors in the City. The tax revenues were used for system operations including capital improvements as per state statute. The City issued bonds utilizing the SMGRT for upgrade and/or replacement of the City's water distribution mains, fire protection, reservoir dams, and reclaim irrigation system.

The City paid off the initial SMGRT bonds early, and in March 2018, the electorate voted to reduce the SMGRT tax to 0.75% and issue bonds for the Cimarron Pipeline pump stations, the new SMGRT tax effective on January 1, 2019. The SMGRT is not de-earmarked and is a standalone gross receipts tax that will sunset when the bonds mature unless the voters approve another bond election. Staff utilized FY2021 SMGRT (0.75%) revenues resulting in $739,019 to determine debt service coverage of 11.47xs.

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

8.7 Consideration and Recommendation for Approval for City of Gallup (McKinley County) – 2022 Public Safety Building, Road Repair, Turf Replacement – PPRF-5695. The City of Gallup ("City") applied to the Public Project Revolving Fund ("PPRF") for $12,900,000 to finance infrastructure and costs related to the construction of a public safety building, various road repairs, and City park turf replacement.

The borrower requests a waiver of the requirement for a traditionally funded debt service reserve fund. This request is consistent and mirrors the current parameters and structure of the City's PPRF-5282 refunding loan which closed September 4, 2020.

The City requests a Springing Debt Service Reserve Fund in lieu of a bond-funded debt service reserve fund consistent with past ratings and the current 4.37xs debt service coverage ratio. The City has two outstanding debts issued with the proposed pledged revenue for this loan. The Series 2012 debt is a non-PPRF loan maturing in 2024 and the second loan is PPRF-5282. The City will be required to cash fund a debt service reserve over a two-year period if the loan coverage falls below 4.0xs coverage. The City has also agreed that NMFA will hold a senior lien position with approving rights on additional debt. Payments will be made monthly.

The City has pledged State Shared Gross Receipts Tax ("SSGRT") of 1.225% as security and repayment for the loan. Staff utilized a three-year average of the SSGRT revenues resulting in $9,087,908 to determine debt service coverage of 4.37xs.

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

8.8 Consideration and Recommendation for Approval of City of Alamogordo (Otero County) – 2022 Refunding Series 2011 – PPRF-5702 NSR. The City of Alamogordo ("City") applied to the Public Project Revolving Fund ("PPRF") for $5,510,000 to refund Series 2011 PPRF-2641 loan for economic savings.

The Series 2011 loan closed in November 2011 in the amount of $9,812,674 with a call date of November 18, 2021. The proceeds of the loan were used by the City to refund the City's previous loan and the payment of related professional fees. The borrower requests a waiver of the requirement of making the monthly payments and will make semi-annual payments instead.

The loan is presented with .75bp added to the rates. Based on the current market environment, the refunding of the Series 2011 loan would likely achieve a net present value savings of approximately 11% equating to an estimated $669,000 over the life of the refunding loan. The final maturity matches the term of the refunded bonds.

The City has pledged the Net System Revenues of Joint Water & Sewer Fund as security and repayment for the loan. Staff utilized FY2020 Net System Revenues of Joint Water & Sewer Fund revenues resulting in $3,107,047 to determine debt service coverage of 2.06xs.

8.9 Consideration and Recommendation for Approval of City of Alamogordo (Otero County) – 2022 Refunding Series 2011 PPRF-2664 Senior SSGRT– PPRF-5700. The City of Alamogordo ("City") applied to the Public Project Revolving Fund ("PPRF") for $4,460,000 to refund Series 2011 PPRF-2664 loan for economic savings.

The Series 2011 loan closed in December 2011 for $7,640,000 with a call date of December 23, 2021. The proceeds of the loan were used by the City to acquire, construct, and complete various street projects and payment of related professional fees.

The borrower requests several waivers that are consistent with and mirror the current parameters and structure of the Series 2011 PPRF-2664 and Series 2012 PPRF-2674 loans being refunded for savings utilizing the PPRF. The first request is a waiver of the requirement for a traditionally funded debt service reserve fund. The second waiver request is a contingent intercept agreement allowing the borrower to make semi- annual payments.

The City is requesting a Springing Debt Service Reserve Fund in lieu of a bond-funded debt service reserve fund. The combined debt service coverage ratio is 3.20xs with an additional bonds test of 200%. The City will be required to cash fund a debt service reserve over a two-year period if the loan coverage falls below 2.0xs coverage. Should the City fail to make timely semi-annual payments, the contingent intercept agreement will become active, and the payments will be intercepted monthly with the payments applied semi-annually.

The loan is presented with .75bp added to the rates. Based on the current market environment, the refunding of the Series 2011 loan would likely achieve a net present value savings of approximately 12% equating to an estimated $545,000 over the life of the refunding loan. The final maturity matches the term of the refunded bonds.

The City has pledged the State Shared Gross Receipts Tax ("SSGRT") (1.225%) as security and repayment for the loan. Staff utilized a three-year average of the SSGRT revenues resulting in $8,023,832 to determine debt service coverage of 3.20xs.

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

8.10 Consideration and Recommendation for Approval of City of Alamogordo (Otero County) – 2022 Refunding Series 2012 PPRF-2674 Senior SSGRT – PPRF-5701. The City of Alamogordo ("City") applied to the Public Project Revolving Fund ("PPRF") for $3,610,000 to refund its Series 2012 PPRF-2674 loan for economic savings.

The Series 2012 loan closed in February 2012 for $8,130,000 with a call date of February 17, 2022. The proceeds of the loan were used by the City to acquire, construct, and improve public projects including refunding pervious loans and the payment of related professional fees.

The borrower requests several waivers that are consistent and mirror the current parameters and structure of the Series 2011 PPRF-2664 and the Series 2012 PPRF-2674 loans being refunded. Both loan Series are being refunded for savings utilizing the PPRF. The first request is a waiver of the requirement for a traditionally funded debt service reserve fund. The second waiver requests a contingent intercept agreement allowing the borrower to make semi- annual payments.

More specifically, the City is requesting a springing Debt Service Reserve Fund in lieu of a bond-funded debt service reserve fund. The combined debt service coverage ratio is 3.20xs with an additional bonds test of 200%. The City will be required to cash fund a debt service reserve over a two-year period if the loan coverage falls below 2.0xs coverage. Should the City fail to make timely semi-annual payments, the contingent intercept agreement will become active, and the payments will be intercepted monthly with the payments applied semi-annually.

The loan is presented with .75bp added to the rates. Based on the current market environment, the refunding of the Series 2012 loan would likely achieve a net present value savings of approximately 5% equating to an estimated $201,000 over the life of the refunding loan. The final maturity matches the term of the refunded bonds.

The City has pledged the State Shared Gross Receipts Tax (1.225%) as security and repayment for the loan. Staff utilized a three-year average of the State Shared Gross Receipts Tax revenues resulting in $8,023,832 to determine debt service coverage of 3.20xs.

Member Forte moved, seconded by Member Kopelman, for approval of PPRF Projects PPRF-5699, PPRF-5657, PPRF-5695, PPRF-5702, PPRF-5700, and PPRF-5701. The motion passed 6 – 0 on a roll call vote.

Economic Development Committee Report *(Committee members are Secretary Alicia Keyes (Mr. Jon Clark), Chair, Secretary Sarah Cottrell Propst (Mr. Matthew Lovato), and Secretary James Kenney (Ms. Judi Kahl).*

9.1 Economic Development Committee Report - The Economic Development Committee met on Tuesday, November 9, 2021, with Members Clark, Lovato, and Kahl in attendance. Items discussed included:

- *Private Lending Portfolio Report* - Staff presented the Private Lending Portfolio Report noting that all loans were current. Staff also gave an informational update on the participation with Valley National Bank Asset Corp for Plaza Hotel. Staff will work with VNBAC to consent to new arrangements for continued recovery on the foreclosed loan.
- *New Markets Tax Credit* – Staff presented four items related to the NMTC program:
  1. A request to establish the second Small QLICI Loan Pool in the amount of $7 million. This pool is required by the CY 2019 Allocation Agreement with the CDFI Fund. The Finance New Mexico Advisory Board reviewed the item and recommends approval of the $7 million qualified equity investment to establish the second Small QLICI Loan Pool. The Economic Development Committee reviewed the item and recommended approval as presented.
  2. Amendments to the NMTC Lending and Credit Policies which are used to structure Finance New Mexico's loans. The primary change is the amount and structure of the Exit Fee which is paid by the borrower at the end of the Compliance Period. The change provides that a Project Benefit Agreement will determine the amount of the Exit Fee for each structure rather than writing the fee into the loan agreement. The revisions were first reviewed by the Finance New Mexico Advisory Board, which recommended approval of the policies as presented. The

Economic Development Committee reviewed the item and recommended approval as presented.

3. Amendments to the NMTC Policies and Procedures which govern the administration of NMTC program, including Finance New Mexico's competitive application process. The primary policy changes allow staff to open application rounds monthly when funds are available and shortens the timeline for an applicant to sign the term sheet and close on the commitment of allocation. The policy revisions were first reviewed by the Finance New Mexico Advisory Board, which recommended approval of amended policies. The Economic Development Committee reviewed the item and recommended approval as presented.
4. A request to apply for an additional $100 million of NMTC allocation from the Community Development Financial Institutions ("CDFI") Fund. The item was first reviewed by the Finance New Mexico Advisory Board, which recommended approval of the request. The Committee recommended approval.

10.1 Consideration and Recommendation for Approval to Invest $7 Million of Allocation for the Small Loan Pool. Review and recommendation of proposed second NMTC Small Loan Pool.

In April 2020, the NMFA Board of Directors reviewed changes to the New Markets Tax Credit Policies ("NMTC") to help increase demand for smaller NMTC transactions in New Mexico. The polices that were approved addressed the market segment for eligible projects below $4 million, according to Community Development Financial Institutions Fund ("CDFI Fund") qualifies as any QLICI equal to or smaller than $4 million. Staff began marketing to small businesses and small-scale developers to provide access to affordable, flexible capital through non-traditional lenders.

The first Small Loan Pool used a standard format where the approved projects were pooled together and determined by NMFA Board of Directors. The project approvals met the criteria of the NMTC Small Loan Pool Policies and the targets of FNM Advisory Board Community Impacts.

The Small Loan Pool will use the CY 2019 Allocation. The Allocation Agreement for the $35 million of Allocation NMTC requires FNM to allocate 20% or $7 million to Small Dollar Qualified Low-Income Community Investments ("QLICI"). Furthermore, the Allocation Agreement requires FNM to issue 85% of the total dollar amount of its QLICI types of activities, which include the Small Dollar QLICIs, by December 31, 2023.

Mr. Dan Opperman reviewed the resolution allowing the $7M allocation, a $6M loan from NMFA to Investor Series XIV and the subsequent loan from Investor Series XIV to FNM Service Company.

Member Kopelman moved, seconded by Member Forte, for approval to invest $7 Million of Allocation for the Small Loan Pool. The motion passed 6 – 0.

11.1 Consideration and Recommendation for Approval to Revise the NMTC Lending and Credit Policies. Staff recommends approval of the revisions to the New Markets Tax Credit ("NMTC") Lending and Credit Policies.

Over the last several months, as part of a regular review of the NMTC program policies, the NMFA has been reviewing changes to the New Markets Tax Credits Policies originally established in May 2008 and updated three times the last revision made in March 2016. The NMTC Lending and Credit Policies incorporate the CDFI Allocation Agreement requirements that the funds be delivered as either equity or debt with flexible and non-traditional lending criteria and provide the framework for how Finance New Mexico's investments may be structured. These policies are reviewed periodically and revised to adapt to current program targets, market conditions and other elements.

The main area that has been reviewed is the Exit Fee for Finance New Mexico ("FNM"). Staff reviewed its current Exit Fee against other CDEs in the industry. Given there are more CDEs entering the New Mexico market, staff evaluated how to stay competitive in the New Mexico market. The revision gives potential borrowers a clearer understanding of how to calculate FNM Fees and puts FNM in line with all the other CDEs that may enter the New Mexico Market.

The policy changes the calculation of the Exit Fee for future transactions. The Exit Fee would now be up to 10% based on the Project Benefits Agreement that would be agreed upon by both FNM and the borrower. It also eliminates the past tiered approach which had items relating to rural transactions, tribal credit, and timely reporting. The Exit Fee will focus on the true Community/Economic Impact in each community throughout New Mexico.

Member Kahl moved, seconded by Member Kopelman, for approval of the recommended revisions to the NMTC Policies and Procedures. The motion passed 6 – 0.

11.2 Consideration and Recommendation for Approval to Revise the NMTC Policies and Procedures. Staff recommends adoption of the revisions to the New Market Tax Credit ("NMTC") Policies and Procedures.

Since the establishment of Finance New Mexico's NMTC program, NMFA, on behalf of Finance New Mexico, has operated the program using three sets of policies, with its Policies and Procedures acting as the primary guidance for how the program will be operated. While the Policies and Procedures have been amended periodically, they have required, since their establishment in 2008, that Finance New Mexico offer access to NMTC allocation through periodic competitive application rounds.

In 2017, staff revised its NMTC Policies and Procedure eliminating the competitive application process for projects in rural New Mexico which allows staff adequate time to work with clients in rural areas to develop applications as they come forward thereby increasing the likelihood of success.

Staff has conducted 30 Competitive Rounds for the NMTC program which have yielded over $270 million of projects over the life of the program. These previous rounds are held at least a quarterly cycle if allocation is available, and the applications received an average score of at least 60 points and a readiness determination of at least "moderate" in order to move forward in the application process. This process has resulted in a delay of some projects and perhaps for some projects not to move forward. These projects will seek out other CDEs that have the flexibility to work with their individual application and successfully close their projects. In addition, New Mexico has been designated as an Underserved Area, this will attract more CDEs to designate their allocation in New Mexico adding more competition to FNM.

The policy changes the competitive application process for projects in all areas of the State to be responsive to the applicants to the NMTC program. Staff believes that this change will increase

FNM's ability to thoroughly work with each project and complete more transactions in New Mexico. Staff also clarified some of the definitions to meet the current standards set forth by the CDFI Fund. Lastly, the changes reduce the amount of time a borrower has to negotiate the term sheet and extend the time to close the transaction after the term sheet has been executed.

Member Kopelman moved, seconded by Member Kahl, for approval of the proposed revisions to the NMTC Policies and Procedures. The motion passed 6 – 0 on a roll call vote.

11.3 **Consideration and Recommendation for Approval to Apply to the Community Development Financial Institutions Fund for the New Markets Tax Credit Allocation.** Staff recommends adoption of the attached resolution which authorizes the submittal of an application for up to $100 million in NMTC allocation Request to authorize Finance New Mexico, LLC to apply to the Community Development Financial Institutions Fund ("CDFI") for additional New Markets Tax Credit ("NMTC") allocation.

To date, NMFA, on behalf of Finance New Mexico, has applied for allocation nine times and has been successful in securing six allocation awards totaling $321 million. There were three times, in 2012, 2013 and 2020, Finance New Mexico was unsuccessful in securing allocation, primarily due to overwhelming competition from CDEs nationwide that enjoyed stronger project pipelines and/or from Finance New Mexico having too much allocation on hand. To date, Finance New Mexico has closed 27 transactions totaling $296 million and is currently closing two projects totaling $18 million and considering another Small Loan Pool for $7 million.

The CDFI has announced on November 4 the terms of its 2021 Allocation Round of the NMTC Program with applications due January 13, 2022. The Notice of Allocation Availability will make $5 billion in NMTC allocation, with the maximum award capped at $100 million. Given the demand for the program statewide, the successes achieved with the program to date, and the uncertainty surrounding any future Congressional authorizations, staff recommends that the Board authorize the submission an application for allocation.

Mr. Dan Opperman summarized the resolution authorizing the submittal of the application.

Member Trujillo moved, seconded by Member Burke, for approval to apply to the CDFI and NMTC allocation. The motion passed 6 – 0 on a roll call vote.

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

12.1 **Finance & Disclosure Committee Report.** Members of the Finance & Disclosure Committee met on November 10, 2021. Present via Zoom teleconference were Member Suazo, who chaired the meeting, and Member Trujillo. The Committee met as a subcommittee due to the lack of a quorum. Items discussed included:

- ♦ *Update on Trustee Services RFP - Informational.* Staff explained that the award for Trustee Services was being postponed in order to allow the Evaluation Committee an opportunity to have the three applicants present their software platform and answer questions. An award of contract is anticipated to be before the Committee and the Board for consideration in December.
- ♦ *Update on Assurance & Advisory Services RFP - Informational.* Staff explained that no

responses were received to the RFP, and that the RFP was extended to November 19. Presuming responses are received, the Evaluation Committee will review proposals, with an award of contract anticipated to be before the Committee and the Board for consideration in December.

♦ *Annual Review and Approval of NMFA Broker/Dealer List.* Staff presented the annual broker/dealer list used for trading on Bloomberg. Staff explained the requirements to become qualified for investment transactions and presented a proposed list of broker/dealers for the next year. The Committee, acting as a subcommittee, voted unanimously to move the item to the Board with a recommendation for approval.

12.2 Annual Review and Approval of NMFA Broker Dealer List. Staff recommends approval of Broker Dealer list annual review with proposed new additions and deletions.

Staff presented the annual review of approved Broker/Dealer list for NMFA trading activity as required by the Investment Policy.

NMFA has an approved broker/dealer list utilized for trading on Bloomberg with only approved brokers/dealers enabled/accessible by NMFA Investments for trading. Staff reviewed the Broker Dealer list with recommended additions and the deletion of Deutsche Bank and Baird & Co. due to no coverage.

Member Kopelman moved, seconded by Member Burke, for approval of the NMFA Broker Dealer List. The motion passed 6 – 0 on a roll call vote.

Audit Committee Report *(Committee members are Mr. Andrew Burke, Chair, Mr. Martin Suazo, Secretary Sarah Cottrell Propst (Mr. Matthew Lovato), and Mr. Steve Kopelman (Mr. Leandro Cordova).*

13.1 Audit Committee Report. The Audit Committee met on November 10, 2021, via Zoom. Member Burke chaired the meeting with Members Cordova and Lovato present.

- ♦ **August Financial Statements –** Staff presented the financial statements for August noting that the financials needed to be restated to reflect an additional disbursement of $614 thousand that was not included in the initial statements. The disbursements were made on August 31 from the Small Business Recovery Loan Fund and the journal entry was delayed in getting into the system as a result of a staffing turnover. However, the error was found through the regular vetting of the statements by accounting staff and through reconciliation to the bank statements. Staff noted that as part of its control process, the Audit Committee must be made aware of any changes to the financial statements after the month closes even if the Audit Committee has not yet accepted the financial statements.

Staff further noted that August represents the first peak of activity in the fiscal year when school debt service payments become due for the PPRF and because it is the middle of the construction period when clients are drawing heavily from their construction accounts. This August, NMFA issued $43.6 million in PPRF bonds and NMFA experienced a full disbursement cycle for the LEDA grants.

- ♦ **FY 2021 External Audit** – Staff reported that no additional information was available on OMB's amendment to the auditing guidelines for the federal CAREs funding. The Annual Comprehensive

Financial Report is complete, but the federal Single Audit cannot be completed until the additional auditing standards are release.

14.1 Next Board Meeting

Thursday, December 16, 2021 – 9:00 a.m.
Via Zoom
Santa Fe New Mexico

15.1 Adjournment

Member Kahl moved, seconded by Member Forte, to adjourn the meeting. The motion passed 6 – 0 on a voice vote.

The meeting adjourned at 11:15 a.m.

Secretary

12/21/21

Date