

New Mexico Finance Authority

207 Shelby St.
Santa Fe, NM 87501
(505) 984-1454

Minutes of Board Meeting

December 16, 2021

Via Zoom

Santa Fe, New Mexico

Present:

A.J. Forte	Executive Director, NMML
Andrew J. Burke	Chief Financial Officer - NMSU
Jon Clark	Designee for Secretary, NM Economic 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
Steve Kopelman, Vice-Chair	NM Counties

Finance Authority Staff:

Angela Quintana	Bryan Otero
Carmela Manzari	Charlotte Larragoite
Connie Marquez	Dan Opperman
John Brooks	Joanne Johnson
Jolin Anaya	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:

Craig Dussinger	Bank of America/ML
Daniel White	San Ysidro
Erik Harrigan	RBC Capital Markets
Helen Atkeson	Hogan Lovells
John Archuleta	Questa Independent Schools
Kaeley Weimerskirch	RBC Capital Markets
Kate Fletcher	County Manager, Cibola County
Nate Duckett	Mayor, City of Farmington
Nina Chavez	LFC

Paul Ludi
Rob Mayes
Susen Ellis
Suzanne Bruckner
Teresa Emrich

Finance Director, Cibola County
City of Farmington
BOKF
Sutin Thayer & Browne
City of Farmington

- 1.1 Call to Order and Roll Call.** Vice-Chair Steve Kopelman called the meeting to order at 9:00 a.m. A roll call established a quorum.
- 2.1 Approval of Agenda.**
- Member Suazo moved, seconded by Member Forte, to approve the agenda. The motion passed 9 - 0 on a roll call vote.**
- 3.1 Approval of the November 18, 2021, Board Minutes.**
- Member Suazo moved, seconded by Member Forte, for approval of the November 18, 2021, Board minutes. The motion passed 9 – 0 on a roll call vote.**
- 4.1 CEO Report.** Ms. Marquita Russel reported on the following:
- ◆ *Office Updates.* With the increases of the COVID-19 Delta and Omricon variants, on-site operations were reduced again to a skeletal staff through mid-January when staff will resume a minimum of two days per week on-site operations increasing to a minimum of three days per week in April 2022.

NMFA welcomed new staffers Carmen Cabarello Martinez in the Accounting Department, and Recovery Programs Funding Coordinator David Marquez who replaced Alysia Sanchez who transferred to the Program Administration Team working with the Water Trust Board and the Colonias Infrastructure Board. Lastly, LaRain Valdez transferred back to the Accounting Department where she had worked for 17 years. Currently, NMFA has six vacancies.

- ◆ *Business Recovery Grant Update.* Round 9 of the Business Recovery Grant was expected to close on December 7th; however, one week prior to the closing of the application, NMFA’s application system encountered new technology issues that temporarily would not recognize documents being uploaded. While fixed relatively quickly, NMFA extended by one week the application deadline to December 14th. Because all the available funds will not be exhausted by the applications submitted from Rounds 1-9, NMFA is offering a final application cycle that closes at noon on December 31st as required by statute. At this time, NMFA expects that approximately \$100 million will be obligated through Rounds 1-10 and as much as \$20 million could be held until June 30, 2022, for grant awards to businesses that were not yet allowed to open by the public health order on the day the legislation was signed.
- ◆ *NMFA Oversight Committee.* The NMFA Oversight Committee (“NMFAOC”) met on November 30, 2021 and endorsed four NMFA bills. At that meeting, the NMFAOC approved on a 9-2 vote the NMFA Board-adopted Rules Governing the Cannabis Microbusiness Loan Program under the Statewide Economic Development Finance Act. With this approval, staff is

working to establish the systems necessary to open an application for licensed Cannabis Microbusinesses by the end of January 2022.

- ◆ *Two-Year Reflection.* COVID-19 was transformative for the NMFA. The organization's expertise and nimbleness were tested and exceeded expectations. By way of context, the NMFA entered calendar year 2020 with 39 staff and in reorganization mode. The agency was reconfigured into functional areas, rather than by program, to align with the new business processes that came with the implementation of the EnABLE Loan Servicing software and to provide more direct connection with clients. Pre-COVID plans included developing a budget driven by strategic goals and improving operations. All vacant positions were filled and ended February 2020 with a two-day strategic planning session with all employees.

In mid-March 2020, staff pivoted to remote operations and focused on the economic impact facing clients from both the emergency health order and the crisis in gas and oil markets. Access to the bond market was tested in extreme conditions and the long-held belief that bondholders highly value the diversification of the PPRF portfolio and the strength of GGRT were validated.

Many successes were not discernible to the public. An on-line payment portal was mobilized to allow clients to pay their loans without cutting checks and moved virtually all accounts payable to electronic payments. The general ledger was migrated to a cloud-based system and began batch uploads of journal entries. And most importantly, all programs were transitioned off of Mitas, the legacy loan servicing system and sub-ledger of record, to the EnABLE loan servicing system which allows greater efficiencies, better reporting, and ultimately, direct connections to the general ledger system. Staff also worked to improve financial, and committee reporting to the Board and progressed to closing financials monthly and set performance targets.

More obvious to the public, NMFA responded to the State's need for recovery programs by establishing and operating two short-term programs approved in separate special sessions and two other programs approved in the regular session. These efforts required significant investments in technology, expertise, and staffing. With focus, empathy, and professionalism, the NMFA team provided exceptional service to New Mexico businesses just trying to keep their doors open.

And lastly, staff established new mission-based programming through the implementation of the Essential Services Working Capital Program, the New Markets Tax Credit Small Loan Pool Program, and most recently, the Cannabis Microbusiness Loan Program. These programs were capitalized with NMFA funding and did not require the dedication of new resources to administer.

NMFA ends this two-year journey with 53 employees, 20 of whom were hired within the past 24 months, and three iterations of the organization chart. Public and private lending merged into a cohesive six-person group that acts as the face of NMFA. A new Credit Group was created to help underwrite loans and provide consistent monitoring across all programs along with transitioning to a more forward-looking compliance program that emphasizes risk mitigation.

With two challenging years behind us, staff looks forward to getting back to the implementation of the strategic plan adopted by the Board in January 2019.

Report from the Public Lending Committee. (*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 December 8, 2021, via Zoom teleconference with Members Forte, Kahl, and Trujillo in attendance. Items presented included:

- ◆ *Public Project Revolving Fund:* The Committee reviewed six PPRF applications and recommended all for approval by the Board. Three projects were placed on the consent agenda and three were placed on the regular agenda for consideration.
- ◆ *Drinking Water Revolving Loan Fund:* The Committee reviewed a request to amend two previously approved DWSRLF projects for Los Alamos County. The amendment reassigns loan amounts to projects thereby correcting an error that had been made in the original approval and increases the amount of each loan to cover higher than anticipated construction costs. The Committee recommends the Board amend these two loans as requested.

Staff also reported on a DWSRLF application not recommended for funding. The informational item illustrated for the Board the layers of diligence that goes into staff recommendations on loans.

Member Forte voiced appreciation for the level of vetting by staff on projects, in-depth analysis, and review of underlying circumstances.

6.1 Consideration and Recommendation for Approval of Cibola County – 2022 Equipment Loan – PPRF-5707. Cibola County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for \$121,000 to purchase fire equipment including two pickup trucks.

The County has an ISO rating of six with one main station receiving an annual base distribution of \$58,584 from State Fire Protection Funds.

The 2020 audit received a qualified opinion with fourteen findings including two material weaknesses and one repeat significant deficiency. The Department of Finance & Administration’s Local Government Division found the County compliant and is assisting the County in addressing all findings.

6.2 Consideration and Recommendation for Approval of Town of Clayton (Union County) – 2022 Fire Equipment Loan – PPRF-5711. The Town of Clayton (“Town”) applied to the Public Project Revolving Fund (“PPRF”) for \$503,597 to finance the purchase of fire apparatus and corresponding equipment including drones, tether equipment, and a trailer.

The Town will pledge State Fire Protection Funds as the revenue source for the loan. The Town has an ISO class rating of five with three main stations and one administrative building receiving an annual base distribution of \$246,668.

The 2020 audit received an unmodified opinion with three findings including a repeat material weakness. The Town provided a corrective action plan.

6.3 Consideration and Recommendation for Approval of Village of San Ysidro (Sandoval County) – 2022 Police Equipment Loan – PPRF-5710. The Village of San Ysidro (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$40,000 to purchase a police vehicle and pertinent equipment.

The Village receives an annual distribution of \$21,200 from State Law Enforcement Protection Funds which will be pledged as the revenue source for the loan.

The FY 2020 audit received an unmodified opinion with five repeat material weaknesses and one repeat significant deficiency. The Village provided a corrective action plan.

Member Suazo moved, seconded by Member Forte, for approval of Projects PPRF-5707, PPRF-5711, and PPRF-5710. The motion passed 7 – 0 on a roll call vote with Member Trujillo absent for the vote.

7.1 Consideration and Recommendation for Approval of City of Farmington (San Juan County) – Series 2022 Golf Course Irrigation and Reno-North Trail Ext. Bank Repair – PPRF-5712. The City of Farmington (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$20,105,000 to finance improvements and renovation of the golf course irrigation system and improvements to the North Trail Extension and bank repair.

The borrower requests a waiver of an active intercept agreement and a contingent intercept agreement allowing the borrower to make semi- annual payments through an Automated Clearing House (“ACH”). This waiver request is consistent and mirrors the current parameters and structure of the PPRF parity debt.

The City pledged the State Shared Gross Receipts Tax (“SSGRT”) (1.225%) as security and repayment for the loan. Staff utilized FY2021 revenues of the SSGRT resulting in \$20,201,035 to determine debt service coverage of 4.77xs. The City has neither a Standard & Poor’s nor a Moody’s public rating. The NMFA does have a Moody’s equivalent GRT rating for Farmington of “A1” therefore, no debt service reserve fund is required.

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

Member Forte moved, seconded by Member Suazo, for approval of Project PPRF-5712. The motion passed 8 – 0 on a roll call vote.

Chair Miller joined the meeting.

7.2 Consideration and Recommendation for Approval of Questa Independent School District (Taos County) - 2022 Refunding Series 2009 Non-PPRF GO Bond Loan – PPRF-5709. The Questa Independent School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,170,000 to refund Series 2009 non-PPRF loan for economic savings.

The Series 2009 loan closed in 2009 for \$4,00,000 with a call date of September 2021. The proceeds were used for school infrastructure, computer software and hardware, matching funds for capital

outlay projects, and rent/lease payments with option to purchase.

Excluding the interest rate margin of .75bp, the refunding of the Series 2009 bond will achieve a net present value savings of approximately 9% equating to an estimated \$202,000 over the life of the refunding loan. The final maturity matches the term of the refunded bonds.

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 including one significant deficiency. A corrective action plan was provided.

Member Suazo moved, seconded by Member Forte, for approval of Project PPRF-5709. The motion passed 9 – 0 on a roll call vote.

- 7.3 Consideration and Recommendation for Approval of Cibola County –2022 Building Loan – PPRF-5708.** Cibola County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for \$177,778 to finance a complete retrofit of the HVAC system in the County Administration Building in the City of Grants.

In 2016 the County purchased and remodeled the building including the installation of a new HVAC system; however, the County has experienced ongoing issues with the HVAC system which leaks coolant continuously and does not work correctly. The County, based on diagnosis that was received, has determined that coolant lines and some key mechanical components will need replacement to correct the issues and to attain the level of performance needed from the heating and cooling system.

The County will pledge the 1st increment of the County Local Option GRT (.125%) which is prior to de-earmarking, as pledged revenue towards repayment of the loan. Because the County is requesting an anytime call, staff has incorporated a 10bp increase into the interest rates.

The 2020 audit received a qualified opinion including two material weaknesses and one repeat significant deficiency. The County submitted a corrective action plan. The Board discussed their concerns with the audit and received verification by the County of their continued efforts to correct the ongoing issues.

Member Suazo moved, seconded by Member Forte, for approval of Project PPRF-5708. The motion passed 9 – 0 on a roll call vote.

- 7.4 Consideration and Recommendation for Revised Approvals of Los Alamos County – Barranca Mesa Tank #2 and Motor Control Centers DW-5637 and DW-5638.** Los Alamos County (“County”) requested increases to the loan amounts for projects DW-5637 and DW-5638 along with right sizing of the funding amounts and resetting the debt service schedules.

In September 2021, the County received approvals to finance the cost of the Barranca Mesa Tank #2 project and the motor control centers project. The revised approval reassigns loan amounts to projects

thereby correcting an error that had been made in the original approval and increases the amount of each loan to cover higher than anticipated construction costs.

The requested updated 2021 funding packages which include the cost of issuance has a new debt service coverage ratio of 4.44x. The modifications include:

		Original Request	New Funding Request	Increased Funding Amount
DW-5637	Barranca Mesa Tank	\$ 328,250.00	\$ 865,570.00	\$ 537,320.00
DW-5638	Motor control centers	\$ 2,122,558.00	\$ 2,727,000.00	\$ 604,442.00
				\$ 1,141,762.00

Member Suazo moved, seconded by Member Forte, for revised approval of Projects DW-5637 and DW-5638. The motion passed 9 – 0 on a roll call vote.

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

Member Forte departed the meeting at approximately 9:45 a.m.

8.1 Economic Development Committee Report. Members of the Economic Development Committee met via Zoom teleconferencing on Tuesday, December 7, with a quorum of members in attendance. Member Clark chaired the meeting with Members Lovato and Kahl in attendance.

- ◆ *Private Lending Portfolio Report* - Staff presented the Private Lending Portfolio Report noting that all loans were current. Staff also reported that with the assistance of the Taxation and Revenue Department, the tax liens on the former Tri County Community Services building in Taos have been resolved and the previously approved building sale to Rio Grande Alcohol Treatment can proceed.
- ◆ *New Markets Tax Credit* – Staff presented the final approval for Zia Energy dba Affordable Solar NMTC transaction. The project received a preliminary approval in July 2021 subject to final documentation satisfactory to the NMFA. These documents have been completed and are consistent with the forms approved by the Attorney General for this program. The Committee reviewed the application and recommended final approval to the NMFA Board.

9.1 Consideration and Recommendation for Approval of Zia Energy Real Estate, LLC (Bernalillo County) – NMTC-5594. Staff recommends final approval of the New Markets Tax Credit financing for Zia Energy Real Estate, LLC for \$6,000,000, final approval subject only to NMTC documentation acceptable to the NMFA.

Zia Energy Group dba Affordable Solar provides large scale solar and energy storage integration across 12 states. Acquisition of the property and the retrofit includes both exterior building upgrades, as well as an interior improvement with a buildout for the manufacturing portion of the business. Total project costs are estimated to be \$6,100,000.

This will be the second transactions with Enterprise Bank and Trust (“EBT”) as the Source Lender and the first transaction with EBT as the NMTC Purchaser. As the Source Lender, EBT will require

a 1st Deed of Trust for the Construction Loan that will be used as leverage in this transaction and FNM will get a second Deed of Trust as collateral for the B Note and all improvements on the real property.

There will be Master Lease between Zia Energy Real Estate, LLC and Zia NMTC Leverage Lender, LLC. Zia Energy Real Estate, LLC purchased the land prior to the transaction. Zia NMTC will enter into a Sub-Lease with Affordable Solar Installation Inc. who will operate out of the new facility and make the payments as part of its operating expenses.

Pursuant to policy, Finance New Mexico's Exit Fee (the amount paid to Finance New Mexico at the end of the compliance period) is equal to the amount of the "B Note" less the performance measurement discounts noted below of up to 70% in total, less the costs of NMTC legal fees of no more than \$250,000 Finance New Mexico provides all borrowers a 20% reduction in the "B Note" for timely reporting. Staff recommends an additional 50% reduction based on targets related to the nature of this community service project.

Specifically, staff recommends the following Economic Development Threshold for Zia Energy Group.

- 1) The Exit Fee shall be reduced by an amount equal to 30% if through the end of the NMTC Compliance Period, Zia Energy Group creates 80 new jobs at the Zia Energy Group facility by the end of 7 years. (30% reduction)
- 2) The Exit Fee shall be reduced by an amount equal to 10% if through the end of the NMTC Compliance Period, Zia Energy Group retains 142 employees at the end of the 7 years. (10% reduction)
- 3) The Exit Fee shall be reduced by an amount equal to 10% if through the end of the NMTC Compliance Period, Zia Energy Group electricity generates from a renewable energy for the building by the end of 7 years. (10% reduction)

The QLICs will be secured as follows: The "A" Note, and "B" Note will be secured by a Deed of Trust on real property and all the improvements at the facility located in Albuquerque. The source loan from Enterprise Bank & Trust will be secured by an assignment of all loan and collateral documents held at the investment fund. Mr. Ryan Centerwall and Mr. Kevin Bassalleck will provide an unlimited personal guaranty for the loan. Their personal financial statement is dated April 16, 2021, and reports a strong financial statement and net worth with most of the assets tied to the Stock in Privately Held Companies.

Mr. Dan Opperman, Chief Legal Officer, reviewed the Resolution for final approval of the Zia Energy Group transaction which is expected to close in January 2022.

Member Clark moved, seconded by Member Suazo, for final approval of Project NMTC-5594. The motion passed 8 – 0 on a roll call vote.

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

10.1 Finance & Disclosure Committee Report. Members of the Finance & Disclosure Committee met on December 8, 2021. Present via Zoom teleconference were Chair Martin Suazo and Members Jon

Clark, and Marcos Trujillo. Staff presented the following items:

- ◆ *Presentation of the Quarterly Budget Performance Report.* Staff presented NMFA’s budget performance for the 1st quarter of FY2022, explaining that projections for major line items will come in at or under budget limits, with two notable exceptions: the Business Recovery Grant Program and the Small Business Recovery Loan Program. Staff further explained that the marketing budget for Business Recovery Grants is projected to come in approximately \$2.8M under budget, and that NMFA anticipates presenting a budget amendment to the Board at the January meeting.
- ◆ *Consideration and Recommendation for Approval of a Contract with BDO for Assurance & Advisory Services.* Upon a unanimous recommendation from the Audit Committee, staff presented a recommendation to award a contract to BDO USA, LLP (“BDO”) for assurance services (including an objective examination of organizational processes, including traditional testing of processes and procedures to ensure compliance and the existence of adequate controls), and advisory services (those that are directed toward facilitation rather than assurance and include counseling, advice, and training). The Committee voted unanimously to award the contract to BDO.
- ◆ *Notifications:*
 - a. *Sole Source, LEH Consulting Group.* Staff explained that a sole source contract was entered into with LEH Consulting Group (“LEH”) to provide leadership training and help implement the NMFA’s strategic plan. LEH has been a key consultant to the NMFA and the Board in developing the strategic plan, and it would be inefficient, costly, and unreasonable for NMFA to solicit additional offers.
 - b. *Update on Trustee Services RFP.* Staff explained that the award for Trustee Services is being postponed until January to allow the NMFA to present a clarifying presentation that outlines its business practices and to allow for questions and answers. The NMFA will then seek best and final proposals to ensure the proposals are specifically tailored to NMFA’s needs. An award is anticipated in January 2022.

10.2 Report on FY 2022 1st Quarter Budget Performance Report. Ms. Marquita Russel and Mr. Oscar Rodriguez, CFO, reviewed the 1st quarter budget performance report.

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).*)

11.1 Audit Committee Report. The Audit Committee met on Wednesday December 8, 2021, via Zoom. Chairman Andy Burke and Members Leandro Cordova and Martin Suazo were present. Three items were presented for consideration:

- ◆ *Recommendation to the Finance & Disclosure Committee of a Contract for Assurance & Advisory Services* – Staff recommended approval of a contract with BDO of Dallas, Texas, the sole bidder to the advertised request for proposals for assurance and advisory services. Staff explained that this new contract will replace the one with Deloitte Touche for both internal auditor and advisory services. The committee voted unanimously to recommend approval of the contract to the Finance and Disclosure Committee.
- ◆ *August Financial Statements* – Staff presented the financial statements for September 2021 and noted that nothing extraordinary occurred during the period, as there were no bond issues, major financings, or even an average volume of loans were closed. What was expected was a significant

draw on construction escrows, and this outflow of restricted cash is reflected in the financial statements.

Staff highlighted the footnote requested by the Chairman for the \$324.8 million in “Other Liabilities,” noting that \$194.1 million was the cash balance in the LEDA fund, \$129.4 million was \$34.0 million cash balance in the SBRL Fund and \$95.3 million loan receivables from loans closed in that program. Only \$1.4 million was for other liabilities. Responding to a question from the Chair about staff’s expectations for the use of the cash still in these funds, staff disclosed that what is expected by year-end is only about \$60.0 million in LEDA grants and \$200.0 million in SBRL loans closed.

Staff also noted that the trend in Drinking Water construction, while ticking upwards slightly, is still significantly below the average. This is a trend staff has been following and bringing to the committee for some time. Staff also explained that in a recent meeting, Federal Drinking Water administrators informed staff that all the States are seeing the same trend.

The results reflected in the financials:

- Unrestricted Cash and investments of \$ 6.6 million, equivalent to 6 months of NMFA’s approved operating budget, and
 - NMFA’s combined net position Net position increased \$24.3 million from last September and now stands at \$590.1 million.
- ◆ *FY 2021 External Audit* – Staff reported that submission of the FY 2021 audit to the Office of State Auditor is awaiting the issuance of federal guidelines for the single audit for the CARES program. Staff further reported that Moss Adams informed the NMFA that the guidelines still have not been issued and there is no indication from the Federal government as to when they would be out.

The Committee members and staff recognized and thanked Member Burke for his service on the Board and Audit Committee and wished him well on his retirement.

11.2 1st Quarter Financial Statements. Mr. Oscar Rodriguez presented NMFA’s balance sheet, income statement, and cash flow statement as of September 20, 2021. At the end of the third month of the fiscal year, total net position is \$590.1 million, an increase of \$24.3 million from September 2021 and a decrease of \$3.8 million from FY 2020 year-end.

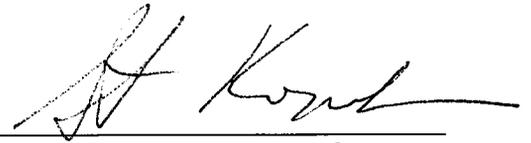
12.1 Next Board Meeting

Thursday, January 27, 2022 – 9:00 a.m.
Via Zoom
Santa Fe New Mexico

13.1 Adjournment

The meeting adjourned at 10:12 a.m.

The meeting adjourned at 10:12 a.m.



Secretary

2/3/22

Date