

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

Minutes of Board Meeting
March 23, 2023
Via Zoom

Present:

Martin Suazo, Vice Chair	Public Member, Las Vegas, NM
Andrew Burke	Public Member, Las Cruces, NM
Jon Clark	Designee for Secretary, NM Economic Development
Richard Garcia	Designee for Executive Director - NMC
Judi Kahl	Designee for Secretary, NM Environment Dept.
Marcos Trujillo	Designee for Secretary, NM Dept. of Finance/Admin.
Matthew Lovato	Designee for Secretary, NM EMNRD
Cleve McDaniel	New Mexico Tech

Absent:

A.J. Forte	Executive Director, NMML
Ronald Lovato	Public Member, Ohkay Owingeh

Finance Authority Staff:

Aaron Kayser	Angela Quintana
Bradley Fluetsch	Carmela Manzari
Charlotte Larragoite	Connie Marquez
Dan Opperman	Delanne Reichard
Dora Cde Baca	Jeffrey Baade
Joanne Johnson	John Brooks
Jolin Anaya	Kryshana Madrid
Lawrence Pierce	Leslie Medina
Lucas Elliot	Lynn Taulbee
Mark Lovato	Mark Montoya
Marquita Russel	Maximillan Julinski
Mary Finney	Michael Vonderheide
Nicole McCollum	Norman Vuylsteke
Oscar Rodriguez	Paul Romero
Rio Trujillo	Ron Cruz
Ryan Olguin	Susan Pittard
Susan Rodriguez	

Guests:

Carla Najjar	Virtue, Najjar
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Edward DesPlas
Greg Stuart
Helen Atkeson
Johanna Georgilas
Kaeley Weimerskirch
Kathy Keith
Randall Brown
Rick Martinez
Susen Ellis
Suzanne Bruckner

San Juan College
Sunrise Clinics
Hogan Lovells
Sunrise Clinics
RBC Capital Markets
LANL
Sunrise Clinics
The Apricot Tree
BOKF
Sutin Thayer & Browne

1. **Call to Order and Roll Call.** Vice-Chair Martin Suazo called the meeting to order at 9:01 a.m. A roll call established a quorum.
2. **Approval of Agenda.** Member Clark moved, seconded by Member Burke, to approve the agenda. The motion passed 8 – 0 on a voice vote.
3. **Approval Board Minutes.**
 - 3.1 **Approval of Minutes:** Member Trujillo moved, seconded by Member Clark, for approval of the February 23, 2023, Board minutes. The motion passed 8 – 0 on a voice vote.
4. **Report from the Chief Executive Officer.**

4.1 Report from the CEO.

Staffing: Accountant Scott Morrison and IT System Administrator, Marlo Alexander, joined the NMFA on March 20, 2023.

NMFA received letters of re-appointment from the Governor’s Office for Members Burke, McDaniel, and Ronald Lovato. The Governor has appointed Kathleen Keith as the new NMFA Board Chair who will transition into the position at the April meeting. Chair Keith is attending today’s meeting as a guest and will not be voting on any agenda items.

Legislative Update: Support for NMFA during the Legislative session was positive. Legislation approved by both Chambers included HB298 (PPRF Appropriation Bill), HB 525 (WTB Authorization Bill), SB 332a (PPRF Authorization Bill), SB 423 (NMFA Operating Capital Bill), SB 314 (Approval of Econ Development Projects), and SB 402/a (NMFA Venture Capital Fund). HB 2 also contained a \$15 million appropriation to the Venture Capital Fund.

FY 2024 Operating and Capital Budget Assumptions: Staff has begun the FY2024 budget process. Staff presented its assumptions to the Finance & Disclosure Committee and is now incorporating feedback into the first draft of the budget for presentation to the Finance & Disclosure Committee in April. The Board will consider final budget approval at the May meeting.

The influx of state and federal infrastructure dollars is expected to impact NMFA both positively and negatively in FY 2024. Increased activity in the Water Trust Board, Colonias Infrastructure and Drinking Water State Revolving Loan Fund will increase oversight costs. The inflow of funding, combined with rising interest rates, may decrease the demand for the PPRF.

Community and economic development programs are seeing similar ups and down. Programs mandated by the Legislature in 2022, will begin to accept and review applications in the spring of 2023 and FY 24 will see new origination and project oversight in the Opportunity Enterprise Program, the Venture Capital Act, and the Charter School program. NMFA may also experience new activity in partnerships with sister agencies needing to deliver federal funding. All other community and economic development programs do not have sufficient balances to lend in FY24.

NMFA will continue working toward completion of the Operational Excellence initiatives and use the technology adopted for the administration of the Recovery programs to streamline other programmatic activities. The anticipated decrease in demand of PPRF will also allow NMFA's Regional Finance Managers to actively reestablish a physical presence in New Mexico communities.

Capital Budget: The most significant item on the capital budget next year will be the new office project. About \$3.8 million of the \$10.5 million approved by the Board for this project will have been spent, primarily to acquire the building at 810 San Mateo Road and begin the design of the contemplated renovation work. Construction is expected to start in late summer with completion scheduled the fall of 2024. Assuming a 30%/70% non-PPRF to PPRF split and considering the fact that the costs up to this point have been covered by the Operating Fund (non-PPRF), the remainder of the project will be paid with PPRF funds. A separate budget for IT, furniture, fixtures, equipment, and relocation costs will be developed and presented to the Audit and Finance & Disclosure Committees at a separate time.

5. Public Lending Committee Report. *(Committee members are Mr. A.J. Forte, Chair, (Ms. Alison Nichols), Secretary Wayne Propst (Mr. Marcos Trujillo), Secretary James Kenney (Ms. Judi Kahl), Ms. Joy Esparsen (Mr. Richard Garcia) and Mr. Ron Lovato.*

5.1 Update on Activities. The Public Lending Committee met on March 15, 2023, via Zoom. Member Alison Nichols chaired the meeting with Members Marcos Trujillo, Judi Kahl, Richard Garcia, and Ron Lovato in attendance. The Committee reviewed one WTB project, two DWSRLF projects and ten PPRF applications forwarding all thirteen projects to the Board for final approval.

6. Consent Agenda.

6.1 EMWT Regional Water Association Funding Restructure for Project WPF-5669. Staff recommends restructuring the financial package for EMWT Regional Water Association ("Association") Project WPF-5669 to 100% grant with the additional match in lieu of the required loan as allowed by WTB policy.

On May 26, 2022, the Board approved the financial structure with a 10% loan and 90% grant totaling \$491,050 for the design of Phase I Community Water System in McIntosh.

While the completion of the design phase of the project may not generate net system revenues to pledge toward the required 10% loan component, the Association has committed an additional match for the project. By restructuring the financial package to 100% grant with the additional match, the Association can secure the funding, complete the design, and apply for future WTB funding.

6.2 Village of Cimarron. DW-6062. \$150,000. The Village of Cimarron (“Village”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$150,000 to complete the construction of a water treatment plant project in Cimarron, New Mexico.

The project began in December 2020 utilizing a USDA loan of \$617K and a grant of \$1,758MM. The Village anticipates the additional DWSRLF funding will enable completion of the project within the year.

6.3 Valencia County Fire Department. PPRF-6080. \$361,570. 2023 Fire Equipment Loan. Valencia County (“County”) on behalf of Valencia County Admin Fire Department applied to the Public Project Revolving Fund (“PPRF”) for \$361,570 to purchase an ambulance rescue truck and respective equipment.

The County will pledge its Fire Excise Gross Receipts Tax as the revenue source for the loan.

6.4 Hatch Valley Public Schools (Doña Ana County). PPRF-6073. \$450,000. Series 2023 General Obligation Bond. Hatch Valley Public School District 11 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$450,000 to finance projects within the District.

In November 2021, the District received voter approval of \$1,800,000 for school improvements and technology upgrades valid for four years. The District will issue General Obligation Bonds for \$450,000 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. *(This guarantee applies to agenda items 6.5, 7.4, and 7.6 that follow on the agenda.)*

6.5 Melrose School District (Roosevelt/Curry/Quay Counties). PPRF-6079. \$300,000. Series 2023 General Obligation Bond. The Melrose Municipal School District 12 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$300,000 for school projects identified in the District’s 2020-2024 Facility Master Plan.

In November 2021, the District received voter approval of \$600,000 to construct, remodel, make additions and furnish school buildings, purchase, or improve school grounds , or any combination thereof valid for four years. The District will issue General Obligation Bonds for \$300,000 which NMFA will purchase with the PPRF.

Member McDaniel moved, seconded by Member Lovato, for approve of agenda items 6.1 – 6.5. The motion passed 8-0 on a roll call vote.

7. Regular Agenda.

7.1 City of Aztec (San Juan County. DW-6068. \$1,500,000. The Village of Aztec (“Village”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) for \$1,500,000 to rehabilitate the raw water Reservoir, a partially in-ground reservoir constructed to hold raw water from the Animas River or associated ditch.

In June 2018, the City contracted to remove sediment that had accumulated in the Reservoir which severely reduced the water holding capacity. Bohannon Huston, Inc. completed a Reservoir rehabilitation/replacement evaluation in October of 2019 resulting in an updated estimate of the cost of construction totaling \$3.14 million which exceeds the current \$2.0 Million grant. To complete the design, rehabilitation construction and construction phase engineering services the City needs \$3.48 million and is requesting an additional \$1.48 million to complete this project. The City ranks #3 on the Q1 updated priority list.

7.2 Estancia Valley Solid Waste Authority (Torrance County). PPRF-6039. \$980,556. 2023 Equipment Loan. Estancia Valley Solid Waste Authority (“Authority”) applied to the Public Project Revolving Fund (“PPRF”) for \$980,557 to purchase a bulldozer type tractor and respective equipment.

The Authority will pledge the Environmental Services GRT (“ESGRT”) from Torrance County and five participating entities.

The 2021 audit received a disclaimed audit opinion with five material weakness and three significant deficiencies. The Authority provided an updated corrective action plan. The FY 2022 audit submitted on February 2, 2023 is currently in review.

7.3 City of Truth of Consequences (Sierra County). PPRF-6072. \$790,000. Series 2023 General Obligation Bond. The City of Truth or Consequences (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$790,000 for City-wide improvements to streets, public roads, bridges and improvement and extension of the water and wastewater system.

In November 2022, the City received voter approval of \$3,000,000 valid for four years. The City will issue General Obligation Bonds in the amount of \$750,000 which NMFA will purchase with the Public Project Revolving Fund.

7.4 Socorro Consolidated School District (Socorro County). PPRF-6095. \$2,650,000. Series 2023 General Obligation Bond. Socorro Consolidated School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,650,000 to finance school projects.

In November 2021, the District received voter approval of \$5,000,000 for district wide

improvements valid for four years. The District will issue General Obligation Bonds for \$2,650,000 which NMFA will purchase with the PPRF.

Per the financial advisor, the school infrastructure project will be funded with an estimated \$11 million from the Public-School Finance Authority and an additional \$1.8 million in available NMFA bond proceeds from prior NMFA closed loans PPRF-5466 and PPRF-5274.

7.5 Village of Angel Fire (Colfax County). PPRF-6076. \$2,000,000. Series 2023 Obligation Bond. The Village of Angel Fire (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,000,000 for water/sewer extensions and road improvements throughout the Village.

In November 2019, the Village received voter approval of \$8,000,000 for road and water and wastewater system improvements valid for four years. The Village will issue General Obligation Bonds for \$2,000,000 which NMFA will purchase with the PPRF.

The 2021 audit received an unmodified opinion with ten findings including three material weaknesses. The Village also expects to receive a late audit finding on the 2022 audit. The Village provided a corrective action plan.

7.6 Portales Municipal School District (Roosevelt County). PPRF-6078. \$3,500,000. Series 2023 General Obligation Bond. The Portales Municipal School District 1 (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$3,500,000 for school improvement projects identified in the 2019-2023 Facility Master Plan.

In February 2021, the District received voter approval of \$7,000,000 to construct, remodel, make additions and furnish school buildings, purchase, or improve school grounds, or any combination thereof valid for four years. The District will issue General Obligation Bonds in the amount of \$3,500,000 which NMFA will purchase with the PPRF.

7.7 San Juan College (San Juan County). PPRF-6070. \$7,000,000. Series 2023 General Obligation Bond. San Juan College (“College”) applied to the Public Project Revolving Fund (“PPRF”) for \$7,000,000 for infrastructure improvements.

On November 8, 2022, the College received voter approval for \$7,000,000 for campus improvements valid for four years. The College will issue General Obligation Bonds for \$7,000,000 which NMFA will purchase with the PPRF. The request will require both State Board of Finance and Department of Higher Education approval.

7.8 City of Socorro (Socorro County). PPRF-6066. \$976,970. 2023 Equipment Loan. The City of Socorro (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$976,970 to purchase two Compressed Natural Gas (“CNG”) clean burning garbage trucks.

The pledge for the loan is the net system revenue received from solid waste and landfill activities.

Since the City requested an early pre-pay call option a 25bp increase to the interest rate has been added for the entire term of the loan in addition to the normal 75bp interest rate margin. The City has signed an agreement with the New Mexico Environment Department Air Quality Bureau to receive funds as part of the New Mexico Volkswagen Mitigation Trust. The City anticipates paying the loan off within one year.

Member Garcia moved, seconded by Member Burke, for approval of agenda items 7.1 – 7.8. The motion passed 8 – 0 on a roll call vote.

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

8.1 Update on Activities. The Economic Development Committee met on Tuesday, March 14, 2023, via Zoom. Member Judi Kahl chaired the meeting with Members Matthew Lovato and Marcos Trujillo in attendance. Discussion items included review of the Program Monitoring Report for February 2023 and review of an application for Sunrise Clinics, Inc. utilizing funding through the Behavioral Health Capital and Primary Care Capital Fund programs.

8.2 Sunrise Clinics, Inc. (Quay County). BH-6082 - \$316,00 & PC-6084. \$890,000. Staff recommends approval of Sunrise Clinics Inc. applications for Behavioral Health Capital Fund loan for \$316,000 and Primary Care Capital Fund loan for \$890,000 totaling \$1,206,000.

Sunrise Clinics Inc. would like to purchase a building located at 220 South 3rd Street, Tucumcari, New Mexico 88401 currently leased from Dr. Randal Brown. This financing request will utilize two different NMFA private lending programs to fund the entire project. This purchase allows Sunrise Clinics Inc. to apply, upgrade, and remove its “Look Alike” status therefore becoming a full-fledged FQHC upon completing the FQHC certification process.

As a FQHC, Sunrise Clinics Inc. will receive yearly HRSA grants of \$650,000 as additional funding including providing malpractice insurance. The Board of Directors of Sunrise Clinics Inc. has approved the purchase of this property pending the availability of reasonable financing. This financing utilizing the PCCF and the BHCF loan request of \$1,206,000 will generate a monthly loan payment of \$6,688 which is lower than the current monthly lease payment of \$8,150. This lower monthly loan payment does not take into consideration the 20% monthly loan forgiveness per the program.

The primary source of revenue is expected to consist of net patient revenue. This is the net realizable amounts from patients and third-party payers. A key risk for Sunrise Clinics Inc. will be staffing a rural Clinic with qualified professionals and preventing turnover. To avoid turnover, they have implemented a strong 401k plan to retain employees and are hiring professional from the region.

The loan will be in direct obligation of Sunrise Clinics Inc secured by the building located at 220 South 3rd Street, Tucumcari, NM 88401. Red Mountain Appraisal Services prepared an appraisal on January 10, 2023, resulting in an appraised value of \$1,340,000 which has a discounted value of \$1,206,000. In addition, Sunrise Clinics Inc. applied to NMEDD Collateral Assistance for \$134,000. The total estimated collateral value is \$1,340,000 bringing the LTV for this request to 90%.

Member Clark moved, seconded by Member Trujillo, for approval of Sunrise Clinics, Inc. Projects BH-6082 - & PC-6084. The motion passed 8 – 0 on a roll call vote.

9. **Finance and Disclosure Committee Report.** *(Committee members: Mr. Martin Suazo, Chair, Mr. A.J. Forte (Ms. Alison Nichols), Secretary Wayne Propst (Mr. Marcos Trujillo) and Ms. Joy Esparsen (Mr. Richard Garcia).*

9.1 Update on Activities. A quorum of the Finance & Disclosure Committee met on March 15, 2023, via Zoom. Member Martin Suazo chaired the meeting with Members Richard Garcia, Alison Nichols, and Marcos Trujillo in attendance. Agenda items included the Presentation of the Investment Report, the Budget Policy, FY2024 Budget Assumptions, presentation of the PPRF Bond Outlook, and Procurement Notifications.

10. **Audit Committee Report.** *(Committee members: Mr. Andrew Burke, Chair, Mr. Martin Suazo, Secretary Sarah Cottrell Propst (Mr. Matthew Lovato), Secretary Alicia Keyes (Mr. Jon Clark) and Mr. Cleve McDaniel.)*

10.1 Update on Activities. A quorum of the Audit Committee met on March 15, 2023. Member Andrew Burke chaired the meeting with Members Martin Suazo and Cleve McDaniel in attendance. Discussion items included Financial Statements and Financial Performance Indicators with the Committee approving the new presentation template. The Committee forwarded the second draft of the Operating Capital Policy to the Board for approval. The Builder and Management representative signed the contract, with existing tenants at 810 W. San Mateo Road asked to vacate by June 30, 2023.

10.2 Recommendation of the Operating Capital Policy. Final Approval of the Operating Capital Policy.

The proposed policy is the result of an ongoing discussion at the Audit Committee about whether NMFA has the necessary resources to continue supporting programs past the initial start of their lifecycle when upfront administrative fees are typically generated. The Policy establishes a target for operating cash reserves (operating capital) equal to 12 months of operations defined in terms of NMFA’s annual operating budget and further defines the need and uses. Staff will incorporate the policy into both the budget process and monthly financial reports.

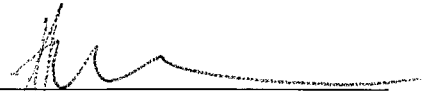
Member Burke moved, seconded by Member McDaniel, for approval of the Operating Capital Policy. The motion passed 8 – 0 on a roll call vote.

11. Next Board Meeting

11.1 Thursday, April 27, 2023 – 9:00 a.m. Via Zoom

12. Adjournment

The meeting adjourned at 10:54 a.m.



Secretary
4-27-23

Date