

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

**Minutes of Board Meeting**  
**May 25, 2023**  
**Room 309, State Capitol**

**Present:**

Kathy Keith, Chair	LANL
Martin Suazo, Vice Chair	Public Member, Las Vegas, NM
Andrew Burke (via Zoom)	Public Member, Las Cruces, NM
Judi Kahl	Designee for Secretary, NM Environment Dept.
Marcos Trujillo	Designee for Secretary, NM Dept. of Finance/Admin.
Matthew Lovato (via Zoom)	Designee for Secretary, NM EMNRD
Joy Esparsen	Executive Director, New Mexico Counties
Jon Clark	Designee for Secretary, NM Economic Development
Cleve McDaniel (via Zoom)	NM Tech

**Absent:**

Ronald Lovato	Public Member, Ohkay Owingeh
Alison Nichols	Designee for Executive Director, NMML

**Finance Authority Staff:**

Aaron Kayser	Angela Quintana
Adam Johnson	Brenda Garcia
Bryan Otero	Cherise Martinez
Chip Pierce	Connie Marquez
Dan Opperman	Delanne Reichard
John Brooks	Jolin Anaya
Leslie Medina	Mark Montoya
Marquita Russel	Mary Finney
Michael Vonderheide	Norman Vuysteke
Oscar Rodriguez	Paul Romero
Rio Trujillo	Ron Cruz
Ryan Olguin	Susan Rodriguez
Todd Johansen	

**Guests:**

Susen Ellis	BOKF
Frank Reed	UBS
Robert Johnston	Sutin Thayer Browne
Wade Jackson	Sutin Thayer Browne

- 1. Call to Order and Roll Call.** Chair Kathy Keith called the meeting to order at 9:01 a.m. A roll call established a quorum.

2. **Approval of Agenda.** Member Trujillo moved, seconded by Member McDaniel, to approve the agenda. The motion passed 9 – 0.

3. **Approval of Minutes**

3.1 **Approval of the April 27, 2023 Board Minutes.**

Member Clark moved, seconded by Member Trujillo, for approval of the April 27, 2023, Board minutes. The motion passed 9 – 0.

4. **Election of Officers**

4.1 **Report from the Nominating Committee.** Ms. Russel presented the report from the Nominating Committee. The Committee recommended retaining Member Suazo as Vice-Chair and Member Forte as Secretary for the Board.

4.2 **Election of Officers.**

Member Clark moved, seconded by Member Esparsen, to re-elect Members Suazo and Forte to their current officer positions as recommended by the Nominating Committee. The motion passed 9-0.

5. **Report from the Chief Executive Officer (“CEO”).**

5.1 **Report from the CEO.** Ms. Russel reported on the following:

- ✓ *Staffing:* Two critical positions have been filled with the hiring of Rick Herrman as Managing Director of Credit and Ron Cruz as Managing Director of Lending, both reporting to John Brooks. Our Human Resource Director is continuing to set up interviews for our vacancies. Ms. Russel introduced the NMFA public water programs administrative staff as well as client services staff.
- ✓ *Legislation:* Legislative Council met earlier this month and named Rep. Joy Garratt as NMFA’s new Chair and Sen. Michael Padilla as Vice Chair for the upcoming legislative oversight interim committee.
- ✓ *Behavioral Health Capital Fund (BHCF):* In early May, the Human Services Department contacted NMFA about transferring \$4.8 million of funding to the BHCF. The anticipated funding comes as a direct result of the recent statutory change to the BHCF Act which allows for the funds to be used for operating capital. For a program initially capitalized with just \$2.5 million, this is a significant development.
- ✓ *Opportunity Enterprise:* The next step in the Opportunity Enterprise program development is to establish policies to assist NMFA in structuring Opportunity Enterprise loans, the rules which were approved in November. NMFA is required to consult with the Opportunity Enterprise Review Board (“OERB”) in establishing any rules or policies. This month the Economic Development Committee reviewed those policies, and they appear in today’s agenda as an information item and

to receive the Board’s feedback before a presentation to the OERB in early June.

- ✓ *NM Growth Fund (State Small Business Credit Initiative)*: Staff has continued discussions with the NM Economic Development Department (“NMEDD”) to transfer to NMFA major portions of the federal State Small Business Credit Initiative (“SSBCI”) and a Memorandum of Agreement (“MOA”) has been negotiated. The MOA contemplates transferring in three tranches a total of \$58.5 million in program funding and \$1.4 million in administrative fee revenue. The funding will initially be dedicated to venture capital, continuing the work begun by NMEDD. The MOA further contemplates NMFA and NMEDD applying to the Dept. of Treasury to amend the Allocation Agreement to allow for the NM Growth Fund to be used to fund other programs, such as loan participations or guaranties.
- ✓ *Charter School*: A Charter School Revolving Loan Fund was among the new programs created by the legislature in 2022 for NMFA to administer. The law provided a broad mandate for the underserved charter school market and a \$10 million appropriation to capitalize the fund, a relatively small amount given the size of school projects. Given the size of the appropriation relative to the need of the market, staff has been exploring how to use the \$10 million to leverage additional funds in the market to help NM schools.
- ✓ *Budget*: The proposed FY 2024 budget expands the resources needed to meet the activity resulting from recent program development as well as increased funding and activity in our core public infrastructure program. The budget also provides the resources needed to integrate the systems, streamline, and automate processes, institutionalize the procedures needed to operate a wide breadth of programs, and effectively report on outcomes.

NMFA’s workplan for FY 2024 includes developing performance measure, metrics and benchmarks for our programs that allow us to balance risk against expected impact of our activities. This involves alignment with our stakeholders and mission partners, identifying programmatic and funding gaps, and maximizing our organizational efficiency and effectiveness.

## 6. Other Items

**6.1 Discussion of Creating a Junior Lien within the Public Project Revolving Fund for Charter School Financing (*Chip Pierce, Chief Financial Strategist*) Information Only.** Mr. Chip Pierce provided a report on examining ways in which the reach of the PPRF can be broadened to non-traditional PPRF borrowers without negatively impacting its AAA/Aa1 credit ratings. Historically lending from the Public Project Revolving Fund has been focused on traditional public infrastructure, generally to state and local governmental units.

Conservative management of the PPRF coupled with growth of the Governmental Growth Receipts Tax over time has resulted in a compounding of the PPRF’s lending capacity. The development of a third lien (a “junior lien”) can be pursued with the understanding that such a lien has significant capacity and that such capacity can be utilized without impact to the existing senior or subordinate liens.

Moving forward with this initiative involves engaging the bond counsel and NMFA General Counsel as well as other NMFA staff. Additionally, prospective borrowers from the third lien will need to be

identified and lined up for an initial issue as the legal documents are being prepared.

7. **Public Lending Committee.** *(Committee members: 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.)*

**7.1 Update on Activities.** The Public Lending Committee met on May 17, 2023, via Zoom with Member Alison Nichols chairing the meeting and Members Marcos Trujillo, Judi Kahl, and Richard Garcia in attendance. The Committee reviewed five Planning Grant applications, one Drinking Water Revolving Loan application, and eight Public Project Revolving Fund applications and recommended all for approval by the Board. The Committee also received an update on PPRF loan monitoring and an overview of the 2023 WTB Award cycle, including the process used by the WTB to recommend the forty-seven awards appearing on the June agenda.

**7.2 Presentation of the IUP and the Drinking Water State Revolving Loan Fund Intended Use Plan for SFY 24.** Review of the State Fiscal Year 2024 Intended Use Plan (“IUP”) for the Drinking Water State Revolving Loan Fund (“DWSRLF”).

As the grantee, NMFA recently applied for the Federal Fiscal Year 2023 capitalization grant, BIL General Supplemental Grant, BIL Lead Service Line Replacement grant and BIL Emerging Contaminants Grant totaling over \$62 million in federal funds. The biggest change this year is the implementation of the BIL Lead Service Line Replacement and Emerging Contaminants programs which will require revisions to the DWSRLF Loan Management Policies to accommodate the delivery of additional subsidy per new federal regulations and grant requirements. NMFA provides “subsidy” as principal forgiveness on its Drinking Water SRF loans and in the case of Emerging Contaminants projects, will be required to offer loans with 100% principal forgiveness.

The Draft IUP will be posted on the NMED and NMFA websites for a 30-day public review and comment period, from May 25, 2023, to June 25, 2023. Any comments received during the public review period will be incorporated into the final document. The final document is then sent to U.S. EPA Region 6 for approval.

8. **Consent Agenda.**

**8.1 Village of Capitan (Lincoln County), PG-6176 – Water Asset Management Plan. \$37,500.** The Village of Capitan (“Village”) applied to the Local Government Planning Fund (“LGPF”) for \$37,500 to fund a water asset management plan to gather information on the current state of the Village’s assets, establish a level of service for its residents, evaluate criticality of components, discuss life cycle costing, and provide potential funding sources for the long term.

**8.2 Pendaries Village MDWCA (San Miguel County), PG-66177 - \$50,000 – Water Asset Management Plan.** Pendaries Village MDWCA (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a Water Asset Management Plan to assist in managing infrastructure capital assets to minimize the total cost of operation, provide the service level customers desire, and help the Association achieve sustainable infrastructure by determining a long-term funding strategy.

**8.3 Enchanted Forest MDWCA (Lincoln County), PG-6180 - \$50,000 – Asset Management Plan.** Enchanted Forest MDWCA (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a Water Asset Management Plan to gather information on the current state of the Association's assets, establish a level of service for its residents, evaluate criticality of components, discuss life cycle costing, and provide potential funding sources for the long term.

**8.4 Sky Country Estates MDWCA (Otero County), PG-6181 - \$50,000 – Water Asset Management Plan.** Sky Country Estates MDWCA (“Association”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 to fund a Preliminary Engineering Report. The PER will identify existing facilities in need of repair or replacement, and provide cost estimates, alternatives, and recommendations. The Association plans to use this document towards to bring the existing water system up to acceptable standards.

**8.5 Sierra Vista MDA (Bernalillo County), PG-6182 - \$50,000 – Water Asset Management Plan.** Sierra Vista MDA applied to the Local Government Planning Fund (“LGPF”) for \$50,000 for a water asset management plan to assist in managing infrastructure capital assets to minimize the total cost of operation and achieve sustainable infrastructure.

**8.6 City of Belen (Valencia County), DW-5459 - \$400,000 – 2023 Law Enforcement Loan.** The City of Belen (“City”) applied to the Drinking Water State Revolving Loan Fund for \$988,700.

The City originally received NMFA Board approval on November 19, 2020, for a project primarily consisting of, but not limited to, water lines, sewer lines and associated appurtenances to be installed adjacent to and beneath Aragon Road between Mesa Road to the west and NM 314 to the east. The original approved project amount was \$586,700 consisting of an approved loan amount of \$146,675 and a subsidy of \$440,025.

This revised project amount would increase the project amount by \$400,000. The City would be eligible to receive a subsidy of \$300,000 from the FFY2022 Base and Bipartisan Infrastructure Law, making the City’s amended loan request \$100,000.

This revised approval request is largely due to the NMDOT asking Belen to do one bid for the water and wastewater line replacements, to avoid roads being dug up twice. The City and their consultants issued an RFP and received one bid for the project which was higher than what was budgeted for in the original RPF. The City changed the plans and specs to make the project less expensive and has taken steps to bring down the costs which were approximately \$900,000 above the available funding. The requested amended approval amount will be included in the City’s plan when they rebid the project in June 2023.

In addition, staff requests resetting the original loan term to begin the two-year construction period upon approval of this transaction followed by a 20-year repayment term. The City has not drawn any of the original loan proceeds.

**8.7 City of Belen (Valencia County), PPRF-6164 - \$264,466 – 2023 Fire Equipment Loan.** The City of Belen (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$264,466 to purchase a fire truck and respective equipment.

State Fire Protection Funds will serve as the pledged revenue for this loan. The City’s annual base distribution is \$218,920 with an ISO class rating of four with two main stations, one substation, and an administration building.

The City will also use a \$300,000 grant from the New Mexico Department of Homeland Security and Emergency Management for the purchase.

**8.8 Amistad-Hayden Fire Department (Union County) PPRF-6170. \$250,000. 2023 Fire Equipment Loan.** Union County, on behalf of the Amistad-Hayden FD (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for \$250,000 to purchase firefighting apparatus and respective equipment.

The Department has an ISO rating of seven with one main station and receives an annual base distribution of \$55,501 from State Fire Protection Funds and will contribute \$149,585 from carryover State Fire Protection Funds.

**8.9 Sierra Bonita-Rincon Volunteer Fire Department (Mora County) PPRF-6171. \$261,797. 2023 Fire Equipment Loan.** Mora County (“County”) on behalf Sierra Bonita-Rincon FD (“Department”) applied to the Public Project Revolving Fund for \$261,797.00 to purchase fire equipment.

The Department currently has an ISO rating of nine with one substation and receives an annual base distribution of \$54,483 from State Fire Protection Funds. The Department will also contribute \$29,088.50 from carryover State Fire Protection Funds.

**8.10 Hondo Valley Public School District (Lincoln County) PPRF-6174. \$300,000. General Obligation Loan.** Hondo Valley Public School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$300,000 for financing school projects within the District consistent with the District’s 2022-2027 Facility Master Plan.

In November 2019, the District received voter approval of \$1,000,000 for school infrastructure valid for four years. The District will issue General Obligation Bonds for \$300,000 which NMFA will purchase with the PPRF.

The GO Bond purchase risk is significantly reduced by Section 22 18 13 NMSA 1978 which contains a Statutory Guarantee stating the Department of Finance and Administration (DFA) will make payments on behalf of the school district, should the district default. (*Applies to agenda item 9.3 as well*).

**Member Suazo moved, seconded by Member Trujillo, for approval of agenda items 8.1 – 8.10 The motion passed 9 – 0.**

## **9. Regular Agenda**

**9.1 City of Las Cruces (Dona Ana County), PPRF-6168 - \$5,080,000 – 2023 Street Project Loan.** The City of Las Cruces (“City”) applied to the Public Project Revolving Fund (“PPRF”) for \$5,080,000 to finance street improvement projects:



The City will pledge its first increment (.25%) of the Municipal Local Option GRT (MLOGRT) towards repayment of the loan.

Moody's Investors Service rated the City's MLOGRT A1 in 2023, therefore no debt service reserve fund is required; however, the City has agreed to fund a Springing Reserve should the coverage drop requiring a debt service reserve fund per NMFA policy. *(Also applies to the following agenda item.)*

The City requests a waiver of NMFA consent to allow for additional debt as outlined in the loan agreements. Parity Bonds Test of 200% will be in place and consent will be required if the ABT falls below. The City also agreed to notify the NMFA when additional debt is approved to assist with the monitoring of the additional bonds test of 200% coverage requirement. *(Also applies to the following agenda item.)*

**9.2 City of Las Cruces (Dona Ana County), PPRF-6169 - \$3,070,000 -2023 Flood Control Project Loan.** The City of Las Cruces ("City") applied to the Public Project Revolving Fund ("PPRF") for \$3,070,000 to finance various flood control projects.

The City will pledge its fifth increment (.25%) of the Municipal Local Option GRT (MLOGRT) towards repayment of the loan.

**9.3 Belen Consolidated School District (Valencia County), PPRF-6172 - \$4,000,000 – Series 2023 General Obligation Bond.** The Belen Consolidated School District ("District") applied to the Public Project Revolving Fund ("PPRF") for \$4,000,000 for school infrastructure.

In November 2019, the District received voter approval of \$10,000,000 for school improvements valid for four years. The District will issue General Obligation Bonds for \$4,000,000 which the NMFA will purchase with the PPRF.

The District's 2022 financial audit received a Multiple Opinion (Financial Statements: Qualified, Federal Awards: Unmodified). The District provided a corrective action plan.

**9.4 Village of Los Ranchos (Bernalillo County), PPRF-6175 - \$8,000,000 – Series 2023 General Obligation Bond.** The Village of Los Ranchos de Albuquerque ("Village") applied to the Public Project Revolving Fund ("PPRF") for \$8,000,000 for open space acquisition including three contiguous tracts of land and cost of issuance.

In 2022, the Village received voter approval of \$8,000,000 to acquire, enhance or otherwise improve property for use as open space. The Village will issue General Obligation Bonds for \$8,000,000 which the NMFA will purchase with the PPRF. The appraisal will be submitted to New Mexico Taxation & Revenue Department's Property Tax Division Appraisal Bureau for review and acceptance.

**Member Suazo moved, seconded by Member Esparsen, for approval of agenda items 9.1 – 9.4. The motion passed 9 – 0.**

**10. Water Trust Board (“WTB”)**

**10.1 Rodarte MDWCA (Taos County). WPF-5433. \$2,218,000 Water System Improvements.** Approval of additional funds in the form of 100% grant for Rodarte Mutual Domestic Water Consumers Association (“Association”) for WPF-5433.

On May 27, 2021, the Board approved a 24% loan and 76% grant split for the Association for the construction/replacement of existing distribution waterlines to interconnect with Peñasco MDWCA completing the Association’s interconnection improvements. The WTB approved to set-aside the balance from the 2021 Water Trust Fund distribution (“WTF”) and the 2022 WTF distribution for projects from the 2021 and 2022 award cycles that may experience construction funding shortfalls.

The Association went out to bid in April 2023 and the lowest bid came in higher than the available funding for the construction of the distribution line replacement. The Association is requesting \$540,000 of additional funds to complete the project.

Based on the Association’s Median Household Income, current WTB policies, and concurrence with the NMED-Construction Programs Bureau, staff recommends an additional grant in the amount of \$540,000 for WPF-5433.

**Member Esparsen moved, seconded by Member McDaniel, for approval of item 10.1. The motion passed 9-0.**

**10.2 Presentation of the Water Trust Board (“WTB”) 2023 Awards** Ms. Angela Quintana presented an overview of the 2023 Water Trust Board Application Cycle. By statute, the WTB submits recommendations to the NMFA for making grants and loans to projects authorized by the Legislature using an annual application process.

The Water Project Fund receives annually a 9% earmark of Senior Severance Tax Bonds (“STBs”) and a \$4 million distribution from the Water Trust Fund. From these amounts, 10% is sent to the Office of the State Engineer (“OSE”) and Administrative Office of the Courts for adjudication purposes.

Breakdown of the funding available for FY 2023:

Nine percent Senior Severance Tax Bonds	\$ 135,120,000.00
Water Trust Fund Distribution	\$ 4,000,000.00
Gross Total	<u>\$ 139,120,000.00</u>
Less Adjudication	<u>\$ (13,912,000.00)</u>
<b>Available Funding</b>	<b><u>\$ 125,208,000.00</u></b>

The recommendations result from a comprehensive review for policy and regulatory compliance, project readiness, and evidence of complete funding.

**10.3 Abiquiu MDWCA&MSWA (Rio Arriba) – WPF-5934. Water Storage. Water System**



Improvements. Recommended Funding: 10% loan - \$67,140 and 90% grant – \$604,260 totaling \$671,400.

**10.4 Albuquerque Bernalillo CWA (Bernalillo) – WPF-5935.** Watershed. SW Water Reclamation Plant Outfall Project. Recommended funding: 10% loan - \$370,000 and 90% grant - \$3,330,000 totaling \$3,700,000.

**10.5 Village of Angel Fire (Colfax) – WPF-5936.** Water Storage. Tank #7 Replacement. Recommended funding: 10% loan - \$136,461 and 90% grant - \$1,228,148 totaling \$1,364,609.

**10.6 Canon MDWCA (Sandoval) – WPF-5940.** Water Storage. Water System Improvements. Recommended funding: 100% grant - \$350,000.

**10.7 City of Carlsbad (Eddy) – WPF-5941.** Water Conservation. Effluent Phase 5B. Recommended funding – 40% loan - \$2,871,040 and 60% grant - \$4,306,560 totaling \$7,177,600.

**10.8 Catalpa WA (McKinley) – WPF-5942.** Water Storage. New Water Supply. Recommended funding – 100% grant - \$350,000.

**10.9 Cedar Creek MDWCA (Lincoln) – WPF-5943.** Water Storage. Supplemental Well Project. Recommended funding: 40% loan - \$183,440 and 60% grant - \$275,160 totaling \$458,600.

**10.10 Chippeway Park WA (Otero) – WPF-5645.** Water Storage. Line Replacement. Recommended funding: 10% loan - \$17,500 and 90% grant - \$157,500 totaling \$175,00.

**10.11 Claunch Pinto SWCD (Torrance) – WPF-5946.** Watershed. Greater Rio Grande Watershed. Recommended funding: 0% grant - \$600,000.

**10.12 Claunch Pinto SWCD (Torrance) – WPF-5947.** Watershed. Estancia Basin Watershed. Recommended funding: 100% grant - \$600,000.

**10.13 City of Clovis (Curry) – WPF-5948.** Water Conservation. Effluent Reuse Phase 2B. Recommended funding: 40% loan - \$1,000,000 and 60% grant - \$1,500,000 totaling \$2,500,000.

**10.14 Village of Cuba (Sandoval) – WPF-5949.** Water Storage. Tank Improvements. . Recommended funding: 100% grant - \$499,999.

**10.15 East Rio Arriba SWCD (Rio Arriba) – WPF-5957.** Watershed. Water Shed Improvements. 100% grant - \$500,000.

**10.16 Eastern NMWUA (Curry) – WPF-5652.** Water Storage. ENMRWS Raw Water Conveyance. 10% loan - \$1,390,000 and 90% grant - \$12,510,000 totaling \$13,900,000.

**10.17 El Prado WSD (Taos) – WPF-5953.** Water Storage. Well #5 and #6 Construct. 10% loan - \$250,000 and 90% grant - \$2,250,000 totaling \$2,500,000.

- 10.18 El Salto MDWA (Taos) – WPF-5954.** Water Conservation. Metering Project. Recommended funding: 10% loan - \$24,800 and 90% grant - \$223,200 totaling \$,248,000.
- 10.19 Eldorado Area WSD (Santa) – WPF-5956.** Water Storage. Service Later Replacements. Recommended funding: 50% loan - \$250,000 and 50% grant - \$250,000 totaling \$500,000.
- 10.20 Enchanted Forest MDWCA (Lincoln) – WPF-5957.** Water Storage. New Well & System. Recommended funding: 10% loan - \$4,000 and 90% grant - \$36,000 totaling \$40,000.
- 10.21 Fambrough MDWCA (Chaves) – WPF-5958.** Water Storage. Waterline Rehab. Recommended funding: 40% loan - \$155,2200 and 60% grant - \$232,830 totaling \$388,050.
- 10.22 City of Gallup (McKinley) – WPF-5959.** Water Storage. Gallup Water Wells. Recommended funding: 40% grant - \$4,320,000 and 60% loan - \$6,480,000 totaling \$10,800,000.
- 10.23 Garfield MDWC&MSWA (Doña Ana) – WPF-5960.** Water Storage. North Arrey Supplemental Well Project. Recommended funding: 20% loan - \$365,740 and 80% grant - \$1,462,960 totaling \$1,828,700.
- 10.24 Greater Chimayo MDWCA (Rio Arriba) – WPF-5961.** Water Storage. Rio Arriba CR98 Waterline. Recommended funding: 40% loan - \$386,000 and 60% grant - \$579,000 totaling \$965,000.
- 10.25 Guadalupe SWCD (Guadalupe) – WPF-5963.** Watershed. Pintada Watershed Sedimentation. Recommended funding: 10% loan - \$25,000 and 90% grant - \$225,000 totaling \$250,000.
- 10.26 Guadalupe SWCD (Guadalupe) – WPF-5963.** Watershed. Pecos River Restoration. Recommended funding: 10% loan - \$40,000 and 90% grant - \$360,000 totaling \$400,000.
- 10.27 City of Jal (Lea) -WPF- 5964.** Water Storage. Transmission Line Phase II. Recommended funding: 10% loan - \$570,030 and 90% grant - \$5,130,264 totaling \$5700,294.
- 10.28 La Luz MDWCA&MSWA (Otero) – WPF-5965.** Water Conservation. Reuse Waterlines and Surface Treatment Plant/Meters. Recommended funding: 20% grant - \$209,141 and 80% grant - \$836,564 totaling \$1,045,705.
- 10.29 Los Alamos County (Los Alamos) – WPF-5966.** Water Storage. Water Transmission Line Replacement. Recommended funding: 40% grant - \$2,400,000 and 60% grant - \$2,600,000 totaling \$5,000,000.
- 10.30 Lower Arroyo Hondo MDWCA (Taos) – WPF-5967.** Water Storage. Water System Improvements. Recommended funding: 100% grant - \$499,999.
- 10.31 Lower Rio Grande PWWA (Doña Ana) – WPF-5968.** Water Storage. Stern Dr. Interconnect Pipeline. Recommended funding: 10% loan - \$235,280 and 90% grant totaling -

\$2,117,520.

**10.32 Luna County (Luna) – WPF-5969.** Flood Prevention. China Draw East Florida Prevention. Recommended funding: 10% loan - \$135,000 and 90% grant - \$1,215,000 totaling \$1,350,000.

**10.33 Middle Rio Grande CD (Bernalillo) – WPF-5970.** Water Storage. MRDCD Corrales Siphon Replacement. Recommended funding: 10% grant - \$708,000 and 90% grant - \$6,372,000 totaling \$7,080,000.

**10.34 Ojo Caliente MDWCA (Rio Arriba) – WPF-5971.** Water Storage. Water Storage Tank Project. Recommended funding: 20% loan - \$90,000 and 80% grant - \$362,000 totaling \$452,500.

**10.35 Village of Pecos (San Miguel) – WPF-5872.** Water Storage. Water System Improvements. Recommended funding: 10% loan – \$222,890 and 90% Grant - \$2,006,010 totaling \$2,228,900.

**10.36 Peñasco MDWCA (Taos) – WPF-5973.** Water Storage. Water System Improvements. Recommended funding: 100% grant - \$323,600.

**10.37 Pendaries Village MDWCA (San Miguel) WPF-5974.** Water Storage. Water System Improvements. Recommended funding: 100% Grant - \$499,999.

**10.38 Town of River Red (Taos) WPF-5976.** Water Storage. High Street Area Water System Improvements. Recommended funding: 10% loan - \$670,150 and 90% Grant - \$6,031,348 totaling \$6,701,498.

**10.39 Rio Lucio (MDWCA (Taos) WPF-5977.** Water Storage. Waterline Replacement. Recommended funding: 100% grant - \$825,130.

**10.40 City of Roswell (Chaves) WPF-5979.** Flood Prevention. Hobson Rd. Flood Prevention. Recommended funding: 13% loan - \$1,248,295 and 87% grant - \$8,353,978 - \$8,353,978 totaling \$9,602,273.

**10.41 City of Roswell (Chaves) WPF-5980.** Water Storage. County Club Reservoirs Rehab. Recommended funding: 55% loan - \$3,200,000 and 45% grant - \$4,800,000 totaling \$8,000,000.

**10.42 Village of Ruidoso (Lincoln) WPF-5981.** Water Storage. Upper Canyon Surface Diversion Rehab. Recommended funding: 40% loan - \$367,366 and 60% Grant - \$551,049 totaling \$918,415.

**10.43 Sangre de Cristo Regional MDWC&SWA (Guadalupe).** Water Storage. Water Storage Tank Rehabilitation. Recommended funding: 10% loan - \$50,000 and 90% grant - \$450,000 totaling \$500,000.

**10.44 Sierra Vista MDA (Bernalillo) WPF-5986.** Water Storage. Water Supply Well. Recommended funding: 100% grant - \$500,000.

**10.45 Storrie Project WUA (San Miguel) WPF-5987.** Water Storage. SPWUA Transmission Plant Improvements. Recommended funding: 10% loan - \$1,390,000 and 90% grant - \$12,510,000

totaling \$13,900,000.

**10.46 City of Tucumcari (Quay) WPF-5988.** Water Storage. Transmission Line/Tank Rehab. Recommended funding: 10% loan - \$280,000 and 90% grant - \$2,520,000 totaling \$2,800,000.

**10.47 Upper Rio Grande WSD (Rio Arriba) WPF-5991.** Flood Prevention. SMBM Dam Site #3 Improvements. Recommended Funding: 100% grant: \$340,000.

**10.48 Watrous MDWCA (Mora) WPF-5991.** Water Storage. Water System Improvements. Recommended funding: \$294,200.

**10.49 White Cliffs MDWUA (McKinley) WPF-5993.** Water Storage. Water Supply Improvements. Recommended funding: 30% loan - \$505,626 and 70% grant - \$1,179,793 totaling \$1,685,419.

**Member Suazo moved, seconded by Member Clark, for approval of Agenda Items 10.3 – 10.49. The motion passed 9 – 0.**

**11. Economic Development Committee** (*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.*)

**11.1 Update on Activities.** A quorum of the Economic Development Committee met on Tuesday, May 16, 2023, via Zoom teleconference. Member Jon Clark chaired the meeting with Members Judi Kahl and Marcos Trujillo in attendance. Agenda items included review of the Program Monitoring Report, a recommendation to make a direct loan from the FNM Service Company, review of policies for the NMFA Opportunity Enterprise Revolving Loan Fund, and Memorandum of Agreement between the New Mexico Economic Development Department and NMFA governing the administration of State Small Business Credit Initiative funds.

**11.2 Silver City Food Co-op (Grant County). \$1,000,000. Construction Loan and Approval of Resolution.** Staff recommends approval of the FNMSC – Direct financing for \$1,000,000 for the Silver City Food Cooperative.

Silver City Food Cooperative (the “Co-op”) is a natural food and general merchandise retailer located in Silver City, New Mexico, primarily serving southern New Mexico.

In 2018 the Co-op purchased a facility on nearby Pope Street. This funding will be combined with a \$2 million NMTC Small Loan Pool Loan to renovate the facility into a larger grocery store that will accommodate additional food options that are not available at their smaller current location. The project will also incorporate a larger parking lot that will assist with providing customers with additional parking options.

Since closing the NMTC Small Loan Pool Loan in December 2021, the Co-op completed the permissible plans and received bids that were radically different from their Guaranteed Maximum Price quote of \$1.3 million from 14 months before.

In order to maintain compliance with the federal regulations governing the New Markets Tax Credit program, Qualified Low Income Community Businesses (such as the Co-op) have to demonstrate that they are not using NMTC proceeds for investment purposes. Unused loan proceeds are taken into consideration as part of this analysis. Because of this compliance risk, tax credit investors impose tight construction timelines/use of loan proceeds which are written into NMTC loan documents. With the estimated completion date approximately two and a half years into the project, this Small Loan Pool transaction is in technical default and Finance New Mexico (“FNM”) can either: 1) support the project with additional funds, or 2) foreclose on the loan and find another qualified project in a qualified low-income community that can use the funds within 12 months of our foreclosure.

Staff communicated the issues to USBancorp Impact Finance (“USBIF”), the tax credit investor in the NMTC Small Loan Pool transaction, regarding the status of the construction delays around the project due rising costs. USBIF has indicated that they have several projects that faced similar issues with supply chain disruptions and rising costs. USBIF is comfortable with FNM’s proposal to provide additional funds to complete this project provided that project can be completed by June 2024. USBIF’s explicit approval of the loan and waiver of the technical default is a condition of loan closing.

This \$1 million construction loan will convert to a permanent loan after one year. At this time, the Co-op estimates that it will use approximately \$750,000 to complete the project; however, given the continued rising costs of construction, staff believes it would be prudent to make up to \$1 million available to the Co-op to ensure timely completion of the project. Staff is comfortable that the Co-op’s cash flows from the larger facility can support the larger loan.

This loan will be the first direct loan made from FNMSC and will not follow the usual leveraged loan model.

Mr. Dan Opperman reviewed the resolution required for this transaction.

**Member Clark moved, seconded by Member Trujillo, for approval of the Silver City Food Co-op \$1,000,000 Construction Loan and Approval Resolution. The motion passed 9 – 0.**

**11.3 Review of NMFA Opportunity Enterprise Revolving Loan Fund Policies (*Information only*).** The NMFA is required to consult with the Opportunity Enterprise Review Board (“OERB”) in establishing our rules and policies. Staff proposes to present the draft policies to the OERB on June 7<sup>th</sup> and then return to the NMFA Board with a final draft of policies for potential approval.

Pursuant to the Opportunity Enterprise Act, the OERB promulgated rules and establishes policies governing its project selection and prioritization. The Opportunity Enterprise Evaluation and Prioritization Policy provides a systematic approach to scoring projects according to mission criteria including community impact support, job creation, long term employment, sector and geographic diversification. With the assistance of the NMEDD, the OERB will evaluate and prioritize enterprise development projects for NMFA to consider for funding.

Similarly, the NMFA Board adopted Rules approved by the NMFA Oversight Committee that governs the implementation and administration of enterprise assistance in the form of Opportunity

Enterprise Loans. The draft policies provide additional guidance to potential opportunity enterprise partners and NMFA staff regarding program objectives, general considerations, project eligibility, application requirements, loan structuring parameters and monitoring requirements.

- 12. Finance and Disclosure Committee.** *(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).*

**12.1 Update on Activities.** The Finance & Disclosure Committee met on May 17, 2023, via Zoom teleconference. Member Martin Suazo chaired the meeting with Members Richard Garcia, Alison Nichols, and Marcos Trujillo in attendance. Presentations included the Investment Report, Bond Sale Report, Bond Outlook Report, and Budget Performance Report. Also discussed were the proposed Memorandum of Agreement between the NMFA and NMEDD, an update on the PSA for the Venture Capital Investment Consultant, an update on the RFP issuance for the FY24 PPRF and Conduit Bond Underwriting Pool, and Procurement Notifications.

**12.2 FY2024 Proposed Budget and 3<sup>rd</sup> Quarter Budget Performance Report.** Consideration of the proposed annual budget for Fiscal Year 2024.

Included in this proposed budget are the estimated operating and non-operating revenues and expenditures and planned capital outlays for the period beginning July 1, 2023, and ending June 30, 2024. The revenue estimates and expenditure requests are based on the assumptions and outlook that were reviewed and accepted by this committee in March. In terms of operating revenue over operating expenditures as required by the Budget Policy, and it provides the resources NMFA needs to accomplish its institutional mission sustainably. It also provides for working capital (cash reserves) at the level required by the recently approved Operating Capital Policy.

Member Burke clarified that the Board is approving the 2024 Fiscal Year Capital Expenditures and increasing the capital budget for the capital project.

**Member Suazo moved, seconded by Member Clark, for approval of the FY 2024 Proposed Budget and third Quarter Budget Performance Report. The motion passed 9-0.**

**12.3 Recommendations to approve MOA by and between the NMFA and the NM Economic Development Department Governing the Administration of State Small Business Credit Initiative Funds.** Staff recommends the execution of the Memorandum of Agreement with the NM Economic Development Department for NMFA to administer a portion of New Mexico's federal State Small Business Credit Initiative award.

The American Rescue Plan Act reauthorized and expanded the State Small Business Credit Initiative (SSBCI) to provide \$10 billion to support small businesses and empower them to access the capital needed to invest in job-creating opportunities as the country emerges from the pandemic. SSBCI provides funds to states, the District of Columbia, territories, and Tribal governments to promote American entrepreneurship, support small business ownership, and democratize access to capital across the country, including in underserved communities.

In early 2022, NMEDD applied on behalf of the State of New Mexico for SSBCI 2.0 funding. Of the



five eligible programs under SSBCI, NMEDD applied for a venture capital/equity fund program and a collateral assistance program, with initial targets of \$65.4 million and \$9 million, respectively. NMEDD received the award and on September 1, 2022, entered into an Allocation Agreement with the U.S. Department of Treasury for a total potential allocation of \$74.5 million, which is disbursed in three tranches.

Similar to the first round of SSBCI funding in 2011, NMEDD and NMFA are proposing that NMFA manage a portion of the funding. NMFA has relevant lending experience and financial reporting systems and recently established capacity to administer venture capital investment programs. NMEDD is seeking to transfer administration of the SSBCI venture capital/equity fund program to NMFA. NMEDD is seeking to include NMFA as a Contracted Entity on the Allocation Agreement and has agreed subject to the review and approval of the NMFA Board a proposed MOA whereby NMFA would provide program administration services. Given additional capital available at NMFA for venture capital, NMEDD and NMFA have agreed to collaborate on a revised application for SSBCI funding to allow for the addition of credit support and enhancement programs to eligible programs to be administered by NMFA.

**Member Clark moved, seconded by Member Trujillo, to approve the MOU between NMFA and the NM Economic Development Department governing the Administration of the State Small Business Credit Initiative Funds. The motion passed 9 – 0.**

**12.4 Verbal Update on the 2023A Bond Sale Report.** Mr. Chip Pierce reported on the PPRF senior lien tax-exempt 2023A-1 and A-2 series bonds sold May 16, 2023 in the par amount of \$36,655,000 and \$39,120,000, respectively. The 2023A-1 bonds were sold to reimburse the PPRF for 19 previously issued loans. The 2023A-2 bonds were sold to fund a loan to the City of Farmington for an electric utility project. The A-2 bonds were sold on a simultaneous basis, meaning that the City's loan matched the loan principal, coupons and yields associated with the 2023A-2 bonds.

The lead managing underwriter was Morgan Stanley with BofA Securities, Inc. and Stifel Nicolaus & Co., Inc. as co-managers. The Board designee was Marcos Trujillo. The bonds will close on May 31, 2023.

**13. Audit Committee.** *(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.)*

**13.1 Update on Activities.** The Audit Committee met on May 17, 2023, with Members Andrew Burke, Chair, Jon Clark, and Cleve McDaniel in attendance. Agenda items included the Financial Statement and Financial Performance Indicators, the Loan Closing Assurance Audit, and a verbal update on the new building.

Staff presented the Net Position, Statement of Revenues, Expenses and Changes in Net Position (Income Statement), and Statement of Cash Flows as of March 2023. Staff pointed out that March proved a slow month, and that the financial statements reflect it. The new presentation of the income statement, indicating actual revenues and expenses compared to budget was discussed. The

Committee approved this new presentation of the income statement and accepted the financial statements for March 2023.

Staff and NMFA's internal auditors, BDO, presented the Audit Assurance Report of the NMFA's Public Project Revolving Loan Fund (PPRF) and Water Trust Board (WTB) loan closing process. The Audit was timed well as staff has been using EnABLE for quite some time. The Committee discussed the findings and staff will be focusing on EnABLE workflow development, automation, internal user access management, and alignment of terminology.

Staff presented the proposed the FY 24 Capital Outlay Plan and reported that the value-engineering effort, where the architects collaborate with the builder to keep costs down, has just begun. It was noted that construction costs escalated by 10% in 2022 alone.

**13.2 Presentation of the 2<sup>nd</sup> Quarter Financial Statements and Financial Performance Indicators.** The Finance Department presented the Statement of Net Position, Statement Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for March 2023. Staff reported that March is a relatively slow month in terms of major changes to the financial statements. Board members commended staff on the quality of the financial reporting.

**Member Burke moved, seconded by Member McDaniel, to accept the Financial Statements for the period ended March 31, 2023. The motion passed 9 – 0.**

**14. Next Board Meeting**

**12.1** Thursday, June 22, 2023 – 9:00 a.m., Room 309, State Capitol.

**15. Adjournment**

The meeting adjourned at 11:25 a.m.

  
\_\_\_\_\_  
Secretary

6-23-23  
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Date