

Public Lending and Investor Relations	PUBLICLY DISTRIBUTED BOND ISSUANCE and UNDERWRITER POLICY WITH UNDERWRITER POOL REQUIREMENTS	Original Effective Date: 5/24/2012
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NEW MEXICO
FINANCE AUTHORITY

**PUBLICLY DISTRIBUTED BOND ISSUANCE and UNDERWRITER POLICY
WITH UNDERWRITER POOL REQUIREMENTS**

This Policy was adopted on the 23rd day of January, 2020, by the Board of Directors of the New Mexico Finance Authority (“Finance Authority”), a public body politic and corporate, separate and apart from the State of New Mexico constituting a governmental instrumentality, created by the New Mexico Finance Authority Act, Section 6-21-1 et. seq., NMSA 1978.

I. PURPOSE

General Considerations. The Finance Authority will pursue the following policies when issuing Public Project Revolving Fund bonds (“PPRF”), New Mexico Department of Transportation bonds (“NMDOT”) at the direction of the State Transportation Commission (“STC”), and conduit or other publicly funded and distributed standalone bonds of the Finance Authority (“Standalone”) that are not PPRF or NMDOT bonds.

II. POLICIES

A. Bond Issuance - General

1. **Competitive Sales.** The Finance Authority is committed to issuing bonds in the manner most beneficial to the Finance Authority’s clients. The Finance Authority’s intent is to periodically issue bonds on a competitive basis in order to measure results against comparable negotiated sales and to provide prospective bond underwriters with an opportunity to demonstrate an ability to place with investors bonds issued by the Finance Authority. The Finance Authority will also utilize competitive sales when it is most timely to do so and in situations where conflicts of interest could otherwise arise. Underwriter Pool Request for Proposals (RFP) do not apply to competitive sales.
2. **Negotiated Sales.** Reasons for issuing bonds on a negotiated basis include, but are not limited to, out-of-the-ordinary bond structures with targeted investor appeal, recognition of a unique market opportunity, the need to

issue bonds into an uncertain market, structural complexity, unique modeling requirements integral to issuance of the bond and relationship building with bond underwriters to enhance access to potential bond investors. Negotiated sales can only occur within the parameters of an active Underwriter Pool or through a standalone Underwriter RFP process.

3. **Finance Authority Underwriter Pool for Negotiated Sales.** The method of selection of the Underwriter Pool will be by Request for Proposal issued once a year. The NMDOT can opt in to the Underwriter Pool on an annual basis should NMDOT choose to utilize the Finance Authority Underwriter Pool for issuance of its bonds. Otherwise, NMDOT can direct the Finance Authority to issue an underwriter RFP on each occasion of an NMDOT negotiated bond sale.

B. Bond Issuance – PPRF and Standalone Bonds.

1. **PPRF Simultaneous Bonds and Loans.** PPRF loans in the amounts of \$10 million and greater will usually be simultaneously funded with a PPRF bond issue so that interest rates on the loans and the bonds effectively match; however, loans up to \$15 million can be cash funded and reimbursed by subsequent bond issues should bond issue efficiency and sound portfolio management justify so doing. Loans up to \$25 million may be closed within a period starting with the sale date of a bond issue (“interest rate setting date”) and the closing date of a bond issue (“permanent funding date”). As a special case, loans of up to \$15 million may be closed up to one month after the closing date of a bond issue to meet borrower fiscal year timing requirements. Loans of greater than \$25 million must be closed simultaneously with the closing of the bond issue funding the loan. The PPRF line-of-credit or available PPRF Revolving Fund cash are used to fund loans closed before the date bonds are closed and funded.
2. **Timeline.** The target timeline when issuing PPRF and Standalone bonds will be:
 - a. Finance Authority Board Meeting Month One. The applicable Board Committee will report to the Board the intent to issue bonds and to report whether the bonds will be negotiated or competitive.
 - b. Finance Authority Board Meeting Month Two. A formal resolution will be passed by the Board that authorizes: (i) the issuance and sale of the bonds to fall within relevant parameters; (ii) the Preliminary Official Statement for the bonds to be issued; (iii) issuance of the bonds with delegated authority; and, (iv) the underwriter or underwriters selected for a negotiated sale using the methodology delineated in Sections D and E below.

The intent to issue bonds, the adoption of the authorizing and delegating resolution, and the approval of the Preliminary Official Statement including underwriters for a negotiated sale may take place at the same Finance Authority Board meeting, designated Month Two, when necessary to respond to market conditions and marketing needs or to otherwise accommodate the Finance Authority's policy objectives.

- c. Finance Authority Board Meeting Month Three. The results of PPRF and Standalone bond sales will be reported to the Board. If bond sale authority has not been delegated, the Board will pass a sale resolution approving the sale.
- d. Month Four. Closing typically will take place for PPRF and Standalone bond issues 10 to 30 days following the bond sale.

C. Bond Issuance – New Mexico Department of Transportation.

- 1. **Direction of the State Transportation Commission.** The STC may from time-to-time direct the Finance Authority to issue NMDOT bonds on its behalf. The STC can specify a competitive bond sale or a negotiated bond sale.
- 2. **Timeline.** The target timeline when issuing NMDOT bonds will be:
 - a. State Transportation Commission and Finance Authority Board Meetings Month One. The STC will determine that NMDOT bonds will be issued. The applicable Finance Authority Board Committee will report to the Board the STC's intent for the Finance Authority to issue NMDOT bonds and to report whether the bonds will be negotiated or competitive.
 - b. State Transportation Commission and Finance Authority Board Meeting Month Two. Formal resolutions will be passed by the STC and the Finance Authority Board that authorizes: (i) the issuance and sale of the bonds to fall within relevant parameters; (ii) the Preliminary Official Statement for the bonds to be issued; (iii) issuance of the bonds with delegated authority; and, (iv) the underwriter or underwriters, if any, selected for the issue.

The authorizing and delegating resolution, the approval of the Preliminary Official Statement and the appointment of underwriters, if any, may take place at the same STC and/or Finance Authority Board meetings, designated Month Two, when necessary to respond to market conditions and marketing needs or to otherwise

accommodate the State Transportation Commission's policy objectives.

- c. Finance Authority Board Meeting Month Three. The results of NMDOT bond sales, as approved by designated members of the STC and Finance Authority, will be reported to the Finance Authority Board. If bond sale authority has not been delegated, the Board will pass a sale resolution approving the sale.
- d. Month Four. Closing typically will take place for NMDOT bond issues 10 to 30 days following the bond sale.

D. New Mexico Finance Authority Underwriter Pool for Negotiated Bond Sales.
The method for selection of the Underwriter Pool will be by Request for Proposal issued once a year.

1. Six financial firms will be selected for the fiscal year period as senior managers/co-managers (primary underwriters) and two firms will be selected as alternative co-managers (alternative co-managers).
2. The RFP will be evaluated by at least: a) three Finance Authority staff members appointed by the Chief Executive Officer; and, b) the Finance Authority's outside Financial Advisor. The Finance Authority Chairman may appoint one or more additional evaluators.

If NMDOT has opted in to the Underwriter Pool for the year, the RFP will also be evaluated by at least two of: a) a NMDOT staff member; b) NMDOT's outside Financial Advisor; and c) a STC member.

3. The RFP will be approved by the applicable Finance Authority Committee no later than April and issued no later than May of each year.
4. The primary underwriters proposed by RFP evaluators will be presented to the Finance Authority's Board for approval no later than the July Board meeting with underwriters selected for the Underwriter Pool ordered from one to six. Board approval will include underwriter takedowns committed to by each potential senior manager.

Should NMDOT opt in to the pool, STC approval of the pool and underwriter takedowns will also be required for NMDOT participation in the pool.

5. Alternative co-managers will also be selected. An alternative co-manager will take the place of any primary co-manager unable to serve in a designated slot due to a conflict of interest or for any other reason. One alternative co-manager will be selected from RFP responders seeking to be

either a senior manager or a co-manager. The other alternative co-manager will be selected from RFP responders seeking only to be a co-manager. If no firms apply to be only a co-manager, the second alternative co-manager will be selected from the responders seeking to be senior managers.

6. Members of each year’s underwriter pools will serve from July 1st through June 30th.
7. Underwriter assignments for negotiated bond sales for the year will be:

Sale Number	Senior Manager	Co-Manager	Co-Manager
Sale # 1	U/W ordered 1	U/W ordered 5	U/W ordered 6
Sale # 2	U/W ordered 2	U/W ordered 3	U/W ordered 4
Sale # 3	U/W ordered 3	U/W ordered 1	U/W ordered 2
Sale # 4	U/W ordered 4	U/W ordered 5	U/W ordered 6
Sale # 5	U/W ordered 5	U/W ordered 3	U/W ordered 4
Sale # 6	U/W ordered 6	U/W ordered 1	U/W ordered 2

The table will repeat if more than six negotiated sales take place in any year.

8. A firm acting as a Financial Advisor for a Standalone bond, for an NMDOT bond, or for a simultaneous PPRF loan to be included in a bond issue cannot also be an underwriter for that bond issue. In such cases, a financial advisory firm designated to be a senior underwriter unable to serve would exchange places with the next designated senior underwriter as necessary to maintain a fair distribution of senior underwriting positions based on the ordering of underwriters. A financial advisory firm designated to be a co-manager unable to serve would be replaced by an alternative co-manager.

E. The Finance Authority Underwriter Pool Evaluation Criteria will be:

RFP Points (maximum 100 points in total)

- **50 Points** – For Pricing, Structuring and Marketing Proposals with requirements defined by the RFP.
- **25 Points** – For Level of Involvement with the Finance Authority/NMDOT, as applicable, considering: a) ideas provided; b) opportunities provided for Finance Authority staff to meet or present to investors; c) in person meetings; d) performance in underwriting Finance Authority negotiated or competitive sales; and, e) performance involving banking or other non-bond relationships with the Finance Authority/NMDOT, as applicable.

- **15 Points** – For performance as a New Mexico and National underwriter of municipal bonds and presence in New Mexico as defined specifically and generally by the RFP.
- **10 Points** – For Overall Reputation of a firm in New Mexico and Nationally as defined specifically and generally by the RFP, considering, to the extent evident and for example purposes only, information such as credit ratings, industry rankings, media coverage, regulatory activity, litigation, SEC and other corporate filings, results of reference enquiries, ethical behavior and intellectual capital.