

# FINANCING SOLUTIONS

Quarterly updates from the New Mexico Finance Authority

## City of Santa Fe

### Hydroelectric Project

#### CHALLENGE

The City's water utility is the largest consumer of electrical power, spending over \$1.3 million per year to operate numerous wells, booster stations and other water treatment facilities. Until 2011, all of this energy came from non-renewable sources that are increasingly expensive and contribute green-house gasses to the atmosphere. As part of a broad program to increase energy efficiency and develop renewable distributed generation capacity to offset use of non-renewable power, the City began investigating the feasibility of developing hydroelectric power generating capacity in 2007.

#### SOLUTION

The City of Santa Fe's municipal water system dates back to 1881, with construction of the first large dam on the Santa Fe River. As the city grew, more storage capacity was constructed in 1893 and made it possible to consider hydroelectric power generation. In 1895 the Santa Fe Gas and Electric Co. completed

*"This is a great example of how small hydropower can be added to existing municipal water supply infrastructure to offset on-site energy usage, earn revenue, and reduce CO2 emissions."*

– Dale Lyons, Water Resources Coordinator and Hydroelectric Project Manager, City of Santa Fe

a 100 kW hydroelectric facility, replacing a 25 kW wood-fired steam plant. The new facility, consisting of dual Pelton wheels linked to a belt-driven 100 kW DC generator, took advantage of 200 feet of head in a two mile long, 14" water transmission line. This system was operated until about 1940, at a time when the electric utility owner of the facility was investing in larger natural gas and coal generation capacity. For over 70 years, as the configuration of the water supply system remained relatively unchanged, the potential energy in the water transmission line was wasted using an altitude valve.

In 2007, municipal water managers began investigating the nexus of water and energy. After conducting an engineering feasibility study for a new hydroelectric generating facility, the project was awarded more than \$861,000 in federal Drinking Water Revolving Loan Funds through the Finance Authority. The new project, developed near the historic hydroelectric facility, is interconnected with PNM's electrical grid and generating power.

#### BENEFIT

The new hydroelectric facility, which began generating power on April 27th, 2011, consists of a Francis-type pump-turbine coupled with a 100 kW induction generator. As the system is net-metered with a water utility pumping station at the same site, the new generator will save the City over \$20,000 in avoided energy costs each year, and also generate significant Renewable Energy Credit (REC) revenue. ♦



# Vitality Works, Inc.

## Manufacturing Expansion Project



### CHALLENGE

Vitality Works has sustained growth from 20-40% every year for the past 12 years. While the existing 21,000 sq. ft. facility seemed enormous to them six years ago, the company fully outgrew its present location about two years ago when office and manufacturing space became increasingly cramped. With sales exceeding structure

and production, there have been numerous challenges maneuvering in the existing limited space. As an interim solution, they began running double shifts and acquired three additional warehouse storage facilities, yet with parking located inconveniently from the workplace. Audits from companies interested in doing business with Vitality Works, Inc. expressed repeatedly that when the company's capacity could be increased, so would their purchase orders. The CEO was seeking a solution to expand facilities and workforce in order to respond to increased product demand.

### SOLUTION

Through the federally funded New Markets Tax Credit program which is administered by the Finance Authority, Vitality Works applied for and received a low interest loan. The timely cash infusion has allowed the company to accelerate its investment and infrastructure expansion for the production of high quality medicinal herbs and supplements. All future manufacturing and administrative infrastructure has begun and the projected move-in date, mid December, 2011, is rapidly approaching.

*“A side effect of working with the Finance Authority is that our accounting reporting will improve, and a more timely financial understanding of our performance will result.”*

— Mitchell Coven, CEO, President of Vitality Works, Inc.



### BENEFIT

The company's partnership with the Finance Authority resulted in many benefits: Vitality Works was able to repurpose a large (109,000 sq. ft.) building. The property investment in a low income community allows them to bring energy and activity to the community, do business with other local businesses, hire additional employees and create jobs. The infusion of cash received will go back into the local community. The expansion project makes it possible for employees to have a higher quality of work experience in a safer environment, and Vitality Works can capture the new business already knocking at its door. All of this creates opportunity for Vitality Works to increase international sales and expand distribution in the natural products industry. ♦

## ONE ON ONE



**Denise Baker, Board Chairman of the New Mexico Finance Authority** is the owner, president and chief financial officer of D.R.B. Electric, Inc, an Albuquerque based company since 1991. She has extensive experience in business development, management and accounting. Denise has a history of community service on many boards including, Albuquerque Economic Development, Albuquerque Sister Cities, American Heart Association, Associated Builders and Contractors, NAIOP State/National Policy Committee, National Association of Women Business Owners, and United Way. She is the recipient of business awards and honors including, Top 25 Women Owned Business in New Mexico (2001 – 2011), NM Business Weekly-Small Private Company Top Performing CFO in (2008), New Mexico Ethics in Business Award (2006), Enterprising Women of the Year (2005), PNM Entrepreneurial Leadership Pioneer Award (2004), South Valley Business Owner of the Year (2002), Associated Builders & Contractors Platinum Award Annual since 2001.

### What drew you to the Finance Authority?

As a native New Mexican and small business owner, I was drawn to the Finance Authority's ability to impact the lives of New Mexicans through its funding of public infrastructure projects and its economic development financing programs. Not only do our

infrastructure projects create jobs and stimulate the economy - when we build good schools, quality water systems, safe roads, and improve public services - they make our communities "economic development ready" so that businesses are able to locate successfully, and residents can enjoy and take pride in their

communities. When a locality is “economic development ready”, then we’re able to step in and help the local businesses with our business loan programs. So you see, the Finance Authority is in a unique position to help strengthen the communities.

### What is your agenda for the next four years?

The Martinez Administration is focused on streamlining the services available to businesses and increasing efficiencies where we’re able. One accomplishment already is the introduction of programs like the Collateral Support Participation Program, a new, business-friendly loan fund that partners the Finance Authority with the local banks. The Collateral Support Participation Program is capitalized with \$13.2 million of federal funds from the Small Business Jobs Act. The sole purpose of the funding is to mitigate bank risk so as to increase the amount of capital provided to small businesses. Through this program, the Finance Authority is both reducing bank risk and business red tape. Our goal is to complement, not compete, with the private sector so that more dollars are available to small businesses.

### Reducing red tape? How does the program work?

It’s basically a loan participation program where a local bank makes a loan to a community business and the Finance Authority buys a partial interest in the loan at beneficial terms. The bank underwrites the loan, closes the loan and services the loan as it

otherwise would. The Finance Authority buys a part of the loan at low interest costs and beneficial terms to the bank. So it’s a win/win: single point of application for the business-owner; simplified application process for the bank; fast turnaround; and low interest rates. Our focus, in particular, is partnering in working capital loans since that where businesses have been impacted the most.

### How does a business find out if they’re qualified for the Collateral Support Participation Program?

The best way is to begin conversations with your bank about the new program, since the Finance Authority is partnered with the bank in providing funds. But since the program was just started this October, the bank may need to talk to one of the Finance Authority’s Economic Development staff members who can advise as to how to proceed. ♦

*For more info on Collateral Support Participation and other economic development programs, contact:*

*John Brooks, Director of Commercial Lending  
505-992-9638 or jbrooks@nmfa.net*

*Faviola Chavez, Private Lending Program Administrator  
505-992-9700 or fchavez@nmfa.net*

*Marquita Russel, Chief of Programs  
505-992-9619 or mrussel@nmfa.net*

## SPECIAL REPORT

# Water Solutions

## Responding to Water Needs

### Water Reuse – Solar Project Village of Cloudcroft

When the Village of Cloudcroft ran out of water, it looked at installing a state-of-the-art water reuse system, but the electricity costs were projected to be too costly. The Finance Authority offered technical support to secure funding through the Drinking Water Revolving Loan Fund’s set-aside for “green” energy projects. Approval is based on energy or water efficiency, “green” infrastructure and environmental innovation. The solar component of Cloudcroft’s reuse system qualified it for additional federal subsidy which reduced the amount of loan that Cloudcroft is asked to repay.



### Watershed Restoration & Management Project Claunch-Pinto Soil and Water Conservation

The Claunch-Pinto SWCD was approved for a Water Project Fund loan/grant award for its regional watershed management and restoration project. Through this award the District will receive a \$540,000 grant and \$60,000 loan with a 10-year term at 0% interest rate. Working with an Estancia Basin watershed collaborative, the planned scope of work is part of a regional review process including the counties, municipalities and land grants comprising the Estancia closed basin.



## Regional Water System Improvements

### North Star MDWCA and Flora Vista MDWCA

The Finance Authority provided technical assistance to these two water associations to secure the Water Trust Board funding for water system improvements including additional storage tanks, a pump station and connective pipeline between communities. The applicants were awarded a \$1,289,522 grant and \$143,255 loan to support the regional effort.



*“The current drought conditions highlight the need to develop sustainable water systems. The Finance Authority supports and encourages sustainability through asset management planning. In addition to construction loans, we fund planning efforts and make referrals to technical assistance providers.”*

— Richard Rose, Chief of Water Resources, Finance Authority

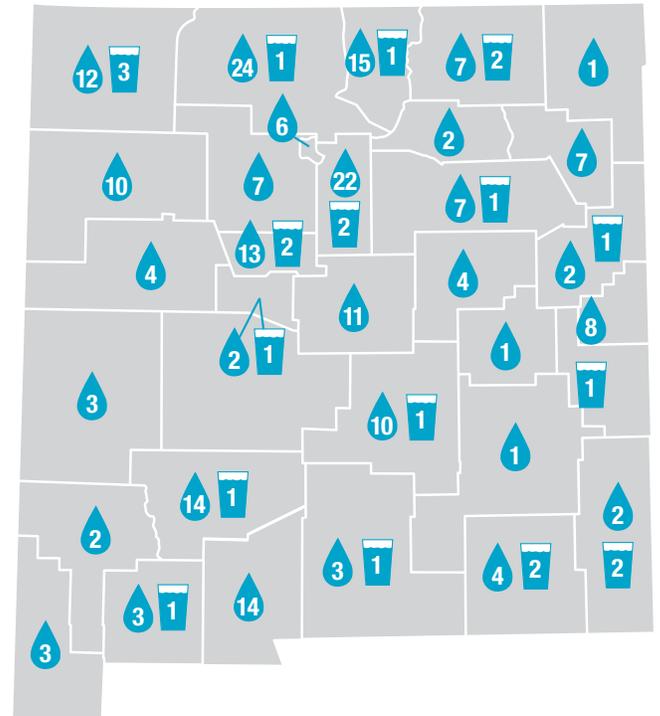
## Water Trust Board Reallocation

### Six New Projects Funded by Redistribution

The Water Trust Board was able this past year to reallocate \$5.067 million to six new projects from funds that were unused by prior awardees. \$214,000 will be held in the fund for next year’s allocation cycle. These six new approvals will bring the total of Water Trust Board Projects up to 31 for 2011.

1. Flood Prevention:  
Acequia del Monte Del Rio Chiquito (Taos County)  
\$300,000
2. Water Conservation, Treatment, Recycling or Reuse:  
City of Clovis (Curry County)  
\$4,113,450
3. Water Storage, Conveyance, and Delivery:  
City of Deming (Luna County)  
\$345,454
4. Water Storage, Conveyance, and Delivery:  
City of Las Cruces (Doña Ana County)  
\$111,800
5. Water Storage, Conveyance, and Delivery:  
Cedar Crest MDWC & SWA (Bernalillo County)  
\$60,909.09
6. Water Storage, Conveyance, and Delivery:  
Sierra Vista MDA (Bernalillo County)  
\$136,363

## STATEWIDE WATER PROJECTS



### Water Trust Board Projects

The 2001 Legislature enacted the Water Project Finance Act which created the Water Project Fund and charged the Finance Authority with the administration of the Fund and the Water Trust Board. The Water Trust Board is a diverse 16-member Board that recommends to the Legislature projects to be funded from the Water Project Fund within five project categories: (1) water conservation or reuse, (2) flood prevention, (3) endangered species act (ESA) collaborative efforts, (4) water storage, conveyance and delivery infrastructure improvements, and (5) watershed restoration and management initiatives.

### Drinking Water Revolving Loan Fund Projects

Created in 1997, the Drinking Water Revolving Loan Fund (DWRLF) provides low-cost financing for construction and improvements to drinking water facilities. The Finance Authority is the state’s recipient of federal Environmental Protection Agency Capitalization Grants awarded under the Safe Drinking Water Act and is partnered with the New Mexico Environment Department to carry out the provisions of the Act.

## MESSAGE FROM THE CEO



**Rick May** came to the Finance Authority in September after serving as Cabinet Secretary for the New Mexico Department of Finance and Administration. He brings 33 years experience in public finance and policy in state and federal government. He was a Staff Director at the House Budget Committee in the U.S. Congress; a Legislative Director in the U.S. House, and a Tax and Appropriations Analyst in the New Mexico House of Representatives. He served the Federal Affairs Counsel for the National Conference of State Legislatures and was a Manager of Federal Relations with Sandia National Laboratories. He earned a B.S. degree in Education and an M.A. degree in political science from Ohio University.

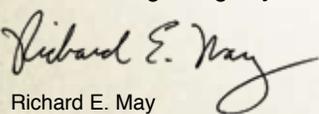
**AS THE FINANCE AUTHORITY'S NEW CEO**, I am extremely honored and privileged to be part of a fine organization, and with the extraordinary dedication of our Board and staff the transition process has been seamless. Further, I am impressed with the highly focused and disciplined team here at the Finance Authority, who are deeply committed to our state and to the diverse communities that are New Mexico.

Our Board of Directors reviews and upholds policies and practices that maintain the financial strength of the Authority's programs and ensure access to capital for critical needs, economic development and quality of life. Our guiding principle with every project, program and partner, is to provide financial and technical assistance to improve health, safety and economic opportunity for New Mexicans. To this end, we have a geographically diverse Board of Directors, some veteran and some new, whose expertise in business, finance and government is invaluable.

Denise Baker, the new Chair, is an award-winning small business owner and you can learn more about her in the **One on One** section. On the public sector side, Bill Fulginiti our Vice-Chair and Paul Gutierrez our Board Secretary, lead two of the state's most important associations, the New Mexico Municipal League and the New Mexico Association of Counties. Both have provided exemplary leadership and integrity to the Finance Authority. Blake Curtis, the Board Treasurer, heads a family owned agri-business and is a former state legislator from Eastern New Mexico. New to us, but a longtime Chief Economist and Tax Policy Advisor, is Tom Clifford the Secretary of the Department of Finance and Administration. Three other Department Secretaries sit on our Board: Jon Barela from Economic Development; John Bemis from Energy, Minerals & Natural Resources; and David Martin from the Environment Department. Lonnie Marquez, who is the Vice President of Administration and Finance for the New Mexico Institute of Mining and Technology, is joined by Terry White the CEO of Sunwest Trust and Jerry Jones, the CEO of Stolar Research Corporation in Raton. As you can see the individual and collective experience of our Board members invites high level contributions to the ongoing efforts and successes of the Finance Authority.

We will continue to reach out to all communities and address specific short and long-term needs. Early this month, the Finance Authority convened its first public meeting of the **Colonias Infrastructure Board** in Las Cruces. This Board will review and approve state funding for a variety of infrastructure projects including water, wastewater, solid waste disposal, housing infrastructure, roads and flood control. Funding will begin July 2012 and more information on funding and public hearings is available at [www.nmfa.net](http://www.nmfa.net). Also, the Finance Authority and the New Mexico Economic Development Department just announced receipt of **\$13.2 million in federal funding** for New Mexico for a business loan program that the Finance Authority will run. Regarding the new program, Chairman Baker I believe said it best when she stated, "We are in a unique position to help the state develop public-private partnerships for business growth and job creation. These new funds will increase our ability to partner with local banks and strengthen communities."

In closing, I want to remind those new to the Finance Authority that year-round we provide technical assistance and low-cost public financing to entities across New Mexico. Each month our Board approves new funding requests. In September, for example, we approved \$ 79.5 million for planning grants and safety or public projects statewide. Our Financial Advisors are always available to answer your questions and visit your community. Please contact us regarding any financing solution that may be of assistance to your community. ♦

  
Richard E. May  
Chief Executive Officer

## NMFA BOARD MEMBERS

**Ms. Denise K. Baker, Chair**  
D.R.B. Electric, Inc.

**Mr. William Fulginiti, Vice-Chair**  
Executive Director,  
New Mexico Municipal League

**Mr. Paul Gutierrez, Secretary**  
Executive Director,  
New Mexico Association of Counties

**Mr. Blake Curtis, Treasurer**  
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**Secretary Jon Barela**  
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**Secretary Tom Clifford**  
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**Secretary David Martin**  
Environment Department

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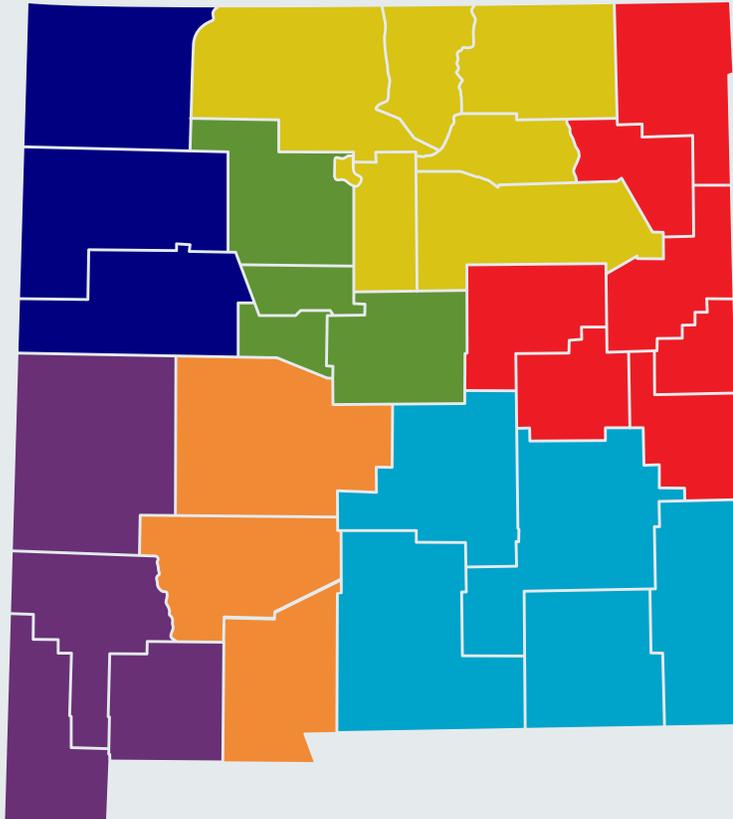


# NEW MEXICO FINANCE AUTHORITY

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## RESPONDING TO NEW MEXICO'S FINANCIAL NEEDS

*We want to hear from you – call your NMFA Financial Advisor today.*



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