

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

Minutes of Board Meeting
April 28, 2022
Via Zoom
Santa Fe, New Mexico

Present:

Alison Nichols	Designee for Executive Director, NMML
Andrew Burke	Public Member, Las Cruces, NM
Jon Clark	Designee for Secretary, NM Economic Development
Judi Kahl	Designee for Secretary, NM Environment Dept.
Katherine Miller, Chair	Governor Appointee, Santa Fe, NM
Marcos Trujillo	Designee for Secretary, Dept. of Finance/Admin.
Martin Suazo	Public Member, Las Vegas, NM
Matthew Lovato	Designee for Secretary, NMENRD
Dr. Olin Cleve McDaniel	NM Tech
Ronald Lovato	Public Member, Ohkay Owingeh, NM

Absent:

Steve Kopelman	Executive Director, NM Counties
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Finance Authority Staff:

Aaron Kayser	Adam Johnson
Austin Anaya	Bryan Otero
Carmela Manzari	Charlotte Larragoite
Connie Marquez	Dan Opperman
Delanne Reichard	John Brooks
Joanne Johnson	Jolin Anaya
Kamila Rahimi	Kryshana Madrid
Leslie Medina	Lynn Taulbee
Maria Gallardo	Mark Montoya
Martin Ortega	Mary Finney
Marquita Russel	Michael Vonderheide
Michael Zavelle	Norman Vuylsteke
Oscar Rodriguez	Rio Trujillo
Ron Cruz	Ryan Decker
Ryan Olguin	Shawna Johnson
Susan Pittard	Susan Rodriguez
Todd Johansen	

Guests:

Helen Atkeson	Hogan Lovells
John Archuleta	Stifel

Nina Chavez
Susen Ellis
Suzanne Bruckner
M Sciacca
Kenny Carabajal
Salvador Nava

LFC
BOKF
Sutin Thayer & Browne
Cimarron Schools
Gamerco WSD
Gamerco WSD

1.1 Call to Order and Roll Call. Chair Katherine Miller called the meeting to order at 9:01 a.m. A roll call established a quorum.

2.1 Approval of Agenda.

Member Suazo moved, seconded by Member Clark, to approve the agenda. The motion passed 10 – 0.

3.1 Approval of the March 24, 2021, Board Minutes.

Member Suazo moved, seconded by Member Kahl, for approval of the March 24, 2022, Board minutes. The motion passed 10 – 0.

4.1 Report from the Chief Executive Officer. Ms. Marquita Russel reported on the following:
Board Updates: On April 13, Governor Lujan Grisham appointed Mr. Ronald Lovato to the NMFA Board. With the last of the vacancies filled, staff anticipates scheduled training for interested Board Members and designees in May. In April, the Committees began the process of reviewing respective Committee Charters for possible changes to incorporate new programs and reflect realignments made since the last approval. The Charters are expected to be presented to the full Board for review and approval in June.

Office Updates: NMFA staff began (again) returning to the office at least two days per week beginning April 4 and welcomed Funding Coordinator Akira Lucero-Chavez and IT System Analyst Brenda Garcia. Staff received applications from several highly qualified candidates for the Chief Technology Officer position which is expected to be filled in May.

Cannabis Microbusiness Program: The Cannabis Microbusiness Program online application opened on April 4, with the first of the projects appearing before the Board this month and represents tremendous effort by staff, led ably by Ryan Decker, John Brooks, Adam Johnson and Susan Pittard. The current pace of application interest is robust, and staff remains hopeful that the program funds will be fully subscribed by the end of the summer.

Small Business Recovery Loan Fund: The enactment of HB 148, which extended the application period for the SBRLF to December 31, 2022, coupled with an increasing interest rate environment, has caused staff to review the Rules for the SBRLF program and has proposed minor changes to provide that tax returns from tax year 2021 can also be utilized for determining eligibility and to provide a clear definition of when the interest rate will be determined.

Compliance Program: Staff is refining its compliance efforts by implementing an Operational Excellence Program which was previewed last month at the Audit Committee. The new program recognizes that all NMFA employees play a critical role in process improvement and compliance

protocols, and must feel empowered to seek assistance, identify risks, report errors, and access tools and training to achieve continuous improvements and operational excellence.

- 5.1 Appointment of Nominating Committee.** Chair Miller appointed Members Kahl, Forte and Clark as a Nominating Committee for election of Board Vice-Chair and Secretary at an upcoming Board meeting.
- 5.2 Approval of Amended and Restated Rules Governing the Administration of the Small Business Recovery Loan Fund.** Staff proposed amendments to the Amended and Restated Rules governing the administration of the Small Business Recovery Loan Fund to incorporate the extension of the application period through December 31, 2022 and to clarify the date the interest rate is set. Due to recent interest rate changes which took effect on March 17, 2022, staff proposed to clarify with certainty the date at which interest rates “lock” for purposes of new loans while tracking current interest rates in a rising interest rate environment by proposing loans be subject to the interest rate in effect on the date the application is submitted, so long as the loan is approved and finalized within a 30-day period. This period will allow the client to “lock-in” an interest rate for a set period of time while allowing NMFA to set client expectations and ensure a consistent business process going forward. At the expiration of any given “lock” period, a new application will be required. The Rule change clarifies the date to be used to determine the interest rate and ensure the NMFA’s business practices are in statutory compliance with the Act.

Member Suazo moved, seconded by Member McDaniel, for approval of Amended and Restated Rules Governing the Administration of the Small Business Recovery Loan Fund. The motion passed 10 – 0 on a roll call vote.

Report from the Public Lending Committee. *(Committee members are Mr. A.J. Forte, Chair, Secretary Debbie Romero (Mr. Marcos Trujillo), Secretary James Kenney (Ms. Judi Kahl), and Mr. Steve Kopelman (Mr. Richard Garcia).*

- 6.1 Update on Activities.** The Public Lending Committee met on April 20, 2022, via Zoom. Member Nichols chaired the meeting with Members Kahl, Trujillo, and Kopelman also attending. Based on size and complexity, six projects were placed on the consent agenda with five projects assigned to the regular agenda for Board consideration.
- 7.1 Portales (Roosevelt County) – Comprehensive Plan with LEDA Component – PG-5824.** The City of Portales applied to the Local Government Planning Fund for \$50,000 for a Comprehensive Plan with LEDA component to update the City's 2016 Comp Plan by addressing critical changes in the community.
- 7.2 Pendaries Village MDWCA (San Miguel) – PER – PG-5825.** Pendaries Village applied to the Local Government Planning Fund for \$37,500 to fund a Preliminary Engineering Report (“PER”) to evaluate water source, storage, and distribution alternatives.
- 7.3 Lumberton MDWC&SWA (Rio Arriba County) – PER – PG-5826.** The Lumberton MDWC&SWA applied to the Local Government Planning Fund for \$50,000 to fund a Preliminary Engineering Report (“PER”) to evaluate the water system needs and provide the most cost-effective solutions moving forward. The system is currently under Administrative Order for exceeding the

health standard for disinfectant by-products aggravated by aging distribution lines and an infiltration gallery needing rehabilitation.

7.4 Village of Cimarron (Colfax County) – Economic Development Feasibility Study – PG-5827. The Village of Cimarron applied to the Local Government Planning Fund for \$50,000 for an Economic Development Feasibility Study that will provide a detailed investor-grade analysis of biomass energy development assessing the economic and ecological benefits of biomass energy, costs of building a plant and local job creation, side benefits, including fire mitigation and improved forest and watershed health.

7.5 Gamerco W&SD (McKinley County) – Equipment Loan – PPRF-5730. The Gamerco W&SD applied to the Public Project Revolving Loan Fund for \$403,432 to finance the purchase of a new trash truck and corresponding equipment

The District, who had been in receivership is now operating independently with new staff, a new Board, and a newly hired auditor assisting them moving forward.

The District will pledge Net System Revenues as the revenue source for the loan. Staff utilized FY 2021 unaudited financials resulting in \$49,377 to determine debt service coverage of 1.35xs.

The FY2020 audit was qualified with three findings including a repeat material weakness and a repeat significant deficiency. Staff obtained a corrective action plan from the District.

7.6 Village of Questa (Taos County) – Fire Equipment Loan – PPRF-5823. The Village of Questa applied to the Public Project Revolving Fund for \$311,000 to purchase a new fire apparatus and related equipment.

The Village will pledge State Fire Protection Funds as the revenue source for the loan. The Village has an ISO class rating of five with one main station and one substation receiving an annual base distribution of \$84,279 from State Fire Protection Funds. The Village will also apply \$150,000 in American Rescue Plan Act (“APRA”) funding and will pay off all current NMFA debt as part of the loan.

The 2021 audit received an unmodified opinion with five findings none a material weakness nor a significant deficiency.

Member Suazo moved, seconded by Member Trujillo, for approval of agenda items 7.1 – 7.6. The motion passed 10 – 0 on a roll call vote.

8.1 City of Belen (Valencia County) – 2022 Senior SSGRT-MLOGRT Refunding of Series 2011 PPRF-2573 and PPRF-2574 – PPRF-5731. The City of Belen applied to the Public Project Revolving Fund for \$1,375,000 to refund Series 2011 PPRF-2573 and PPRF-2574 loans for economic savings.

PPRF-2573 closed in April 2011 for \$2,220,008 with a ten-year call, the proceeds used to refund two joint water and sewer revenue bonds including one PPRF loan while PPRF-2574 closed in July 2011 for \$3,355,652 with a ten-year call with the proceeds used refund a PPRF loan.

The City requests a waiver of a traditionally funded debt service reserve fund as well as a contingent intercept agreement. The requested waivers are based on the borrower having demonstrated its ability to meet their prior debt obligations including their stable historical financial operations and their timely PPRF payment records. The loans being refunded are for savings utilizing the PPRF and realigning all their GRT debt.

The City is requesting a Springing Debt Service Reserve Fund in lieu of a bond-funded debt service reserve fund, whereby the borrower will be required to cash fund a debt service reserve over a two-year period if the loan coverage falls below 2.00xs coverage. This request is not consistent with the current PPRF-2573 and PPRF-2574 loans which maintain a debt service reserve fund; thus, the current debt service reserve funds will be used as part of the refunding.

The City is also requesting a contingent intercept agreement with the payments made monthly by the borrower and applied semi- annually. Currently, PPRF-2573 does have a contingent intercept agreement in place with the SSGRT as the pledged revenue.

Additionally, PPRF-2574 has an active intercept agreement utilizing the third increment of the MLOGRT as the pledged revenue which differs from this refunding. This refunding's pledged revenue will consist of the first and sixth increments of the MLOGRT and the SSGRT. The debt service coverage ratio is 5.08xs with an additional bonds test (ABT) of 200%. The 200% ABT is consistent with the Series 2016 parity debt's ABT requirement.

The loan is presented with .75bp added to the rates. Based on the current market environment, the refunding of the Series 2011 loans would likely achieve an aggregate net present value savings of approximately 5.2% equating to an estimated \$93,114 over the life of the refunding loan. The final maturity of PPRF-2573 has been extended by one year while the final maturity of PPRF-2574 has been shorten by five years from the initial term of 2032 to 2027.

The City pledged the revenues of the State Share Gross Receipts tax (1.225%) and the revenues of the first and sixth increments (0.50%) of the Municipal Local Option Gross Receipts Tax as security and repayment for the loan. Staff utilized a three- year average of the Gross Receipts Tax revenues resulting in \$4,217,891 to determine debt service coverage of 5.08xs. The loan will be subject to USDA RUS approval prior to closing.

The FY2021 audit was unmodified with four findings including two repeat material weaknesses. The City provided a corrective action plan.

8.2 Moriarty Edgewood School District (Torrance County) – Series 2022 General Obligation Bond – PPRF-5821. The Moriarty Edgewood School District applied to the Public Project Revolving Fund for \$4,000,000 to finance school projects within the District.

In November 2021, the District received voter approval of \$11,000,000 for school infrastructure, computer software and hardware, provide matching funds for capital outlay projects valid for four years. The District will issue General Obligation Bonds for \$4,000,000 which the 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.

The 2021 audit received an unmodified opinion with one finding neither a material weakness nor a significant deficiency.

8.3 Cimarron Municipal School District No. (Colfax County) – Series 2022 General Obligation Bond – PPRF-5822. The Cimarron Municipal School District applied to the Public Project Revolving Fund for \$2,000,000 for improvements to the elementary school wing.

In November 2019, the District received voter approval of \$6,000,000 for school infrastructure, computer software and hardware, matching funds for capital outlay projects or any combination thereof. valid for four years. The District will issue General Obligation Bonds for \$2,000,000 which the 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.

The 2021 audit received an unmodified opinion with six findings none a material weakness nor a significant deficiency.

8.4 Estancia Municipal School District (Torrance County) – Series 2022 General Obligation Bond – PPRF-5820. The Estancia Municipal School District applied to the Public Project Revolving Fund for \$1,000,000 to finance school improvements.

In November 2021, the District received voter approval of \$4,770,000 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 \$1,000,000 which the 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.

The 2021 audit received an unmodified opinion with one finding neither a material weakness nor a significant deficiency.

8.5 Farmington Municipal School District (San Juan County) – 2022 Refunding Loan – PPRF-5818. The Farmington School District applied to the Public Project Revolving Fund for \$14,905,000 to refund non-PPRF Series 2014 bonds for economic savings. The Series 2014 Bonds have a current pre-payment date of September 1, 2022.

The 2014 bonds closed on June 3, 2014, with a par amount of \$23,500,000 with proceeds used for school improvements and refunding of the outstanding General Obligation School Building Bonds, Series 2007.

Under current market conditions the refunding is expected to achieve actual savings of approximately \$467,121.77 representing net present value savings of more than 3.20% over the life of the loan. NMFA policies require the non-technical refunding of PPRF loans to achieve no less than 3.0% NPV savings. This loan is presented at current interest rates without 75bp added as it cannot achieve 3% savings with the 75bp added. The loan will be required to achieve 3% savings at prevailing interest rates when preparing the final debt service schedule prior to closing.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payment by the Department of Finance and Administration (“DFA”) should the District default.

The 2021 audit received an unmodified opinion with six findings including two material weaknesses. The District provided a corrective action plan.

Member Suazo moved, seconded by Member Kahl, for approval of agenda items 8.1 – 8.5. The motion passed 9 – 0 on a roll call with Member Matthew Lovato unavailable for the vote.

Member Ron Lovato departed the meeting at 10:00 a.m.

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

- 9.1 Update on Activities.** The Economic Development Committee met on April 19, 2022. via Zoom with Member Clark chairing the meeting and Members Lovato and Kahl in attendance. Staff reviewed the Private Lending portfolio noting all loans are current. Also considered was a Cannabis Microbusiness Program project for FireFlower, LLC and a discussion on the Economic Development Committee Charter.
- 9.2 FireFlower LLC (Bernalillo County) – Cannabis Producer Microbusiness & Cannabis Retailer – CMP-28.** Staff recommends approval of a \$250,000 Cannabis Microbusiness Program Loan for FireFlower LLC (“FireFlower”), contingent upon satisfactory completion of final underwriting and due diligence to include an onsite visit. The loan complies with all CMP Policy requirements as of April 15, 2022.

FireFlower applied to the Cannabis Microbusiness Program to renovate the property located at 214 San Pedro Dr. NE in Albuquerque, NM. In addition to the renovation and construction of the building, the loan proceeds will be used to purchase equipment essential in the cultivation of cannabis products.

FireFlower envisions creating 17 new local jobs within the first four years of operation offering training opportunities, attractive salaries with healthcare benefits. The ownership team is looking to establish residency in New Mexico by Q1 2023 as operations begin to ramp up at the headquarters location.

This loan will be a direct obligation of FireFlower LLC and will carry personal guarantees of the LLC members. In addition, the parent company FireFlower Worldwide, LLC will provide a corporate guarantee.

The loan will be secured by a 1st mortgage on the property. In addition, there will be a Phase 1 Environmental Review required for closing of the project, and an Account Control Agreement which will be filed on FireFlower's deposit accounts.

Member Suazo moved, seconded by Member Trujillo for approval of Project CMP-28, FireFlower LLC. The motion passed 8 – 0 with Member Matthew Lovato unavailable for the vote.

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

- 10.1 Update on Activities.** The Finance and Disclosure Committee met on April 20, 2022, via Zoom with Member Suazo chairing the meeting and Members Clark, Nichols, and Trujillo in attendance. Items discussed included a presentation on the proposed Fiscal Year 2023 Budget, the Investment Report for the period ending March 31, 2022, including discussions addressing the compliance report, strategic quarterly update, and asset allocation change over the quarter; a request to issue an RFP for Investment Advisory Services, and a discussion on the Finance & Disclosure Committee Charter.
- 10.2 Presentation of the Investment Report for the Period Ending March 31, 2022.** Mr. Mark Lovato presented the Investment Report. As of March 31, 2022, the NMFA has total invested funds of \$1.23 billion of which \$807.9 million is in NMFA funds and \$425.4 million in NMDOT. The overall Book Yield in the portfolio is .61% with a current market yield of 1.18%. Net income for half the Fiscal Year ending March 31, 2022 in FY 2022 was \$2.3 million a 52% decrease from this time last year, which is expected while navigating through a low-rate market for the last two years. Rates have increased over the last two months and the portfolios are well positioned to capture those higher rates, as securities mature and are reinvested at higher rates.
- 10.3 Presentation of the NMDOT 2022A Bond Sale Report.** Mr. Michael Zavelle reviewed the NMFA DOT 2022A Senior Lien Tax-Exempt Bond Sale Report.

The DOT senior lien tax-exempt 2022A series revenue refunding bonds sold on April 5, 2022 in the par amount of \$47,240,000 with all bonds sold. Lead manager was RBC with JP Morgan and BofA as co-managers. The bonds are scheduled to close April 28, 2022.

Mr. Zavelle also provided an overview of the bond issue including final coupons, yields and investor orders and a DBC report including the final debt service schedule and key issuance statistics. The DOT 2022A tax-exempt senior lien bonds mature in June 2026 with an average life of 3.42 years and an effective interest rate on a true interest cost (TIC) basis of 2.16%. The bonds refunded \$50,960,000 of DOT 2012 bonds for NPV savings of \$2,479,664 or 4.866%. Standard & Poors (AA+), Moody's (Aa1) and Kroll (AAA) rated the bonds. S&P and Moody's cap DOT's ratings at 2 notches above the State's ratings. DOT's conservative debt profile, only \$15 million outstanding after June

2030, and transportation sector positioning are attributes well appreciated by investors.

Audit Committee (*Committee members are Mr. Andrew Burke, Chair, Mr. Martin Suazo, Secretary Sarah Cottrell Propst (Mr. Matthew Lovato), and Mr. Steve Kopelman (Mr. Richard Garcia).*)

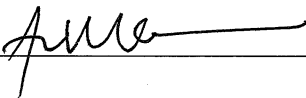
11.1 Update on Activities. The Audit Committee met on April 20, 2022. Member Burke chaired the meeting with Members Matthew Lovato, Garcia, and Suazo attending. Informational items presented included the financial statements and financial performance indicators for February 2022; a presentation of the Office Relocation Initiative, the evaluation of the FY2022 external auditor, and a discussion on the Audit Committee Charter.

12.1 Next Board Meeting
Thursday, May 26, 2022 – 9:00 a.m.
Via Zoom
Santa Fe New Mexico

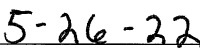
13.1 Adjournment

Member Suazo moved, seconded by Member Kahl, to adjourn the meeting. The motion passed by a voice vote.

The meeting adjourned at 10:26 a.m.



Secretary



Date