Albuquerque Metropolitan Arroyo Flood Control Authority
Board Budget Workshop Minutes
May 15, 2026

1. Call to Order and Roll Call

Chair Taylor called the Budget Workshop to order at 9:01 a.m., Friday, May 15, 2026, at the Tierra West Office building in Albuquerque, NM.

Directors present: Chair Elizabeth Newlin Taylor – at Tierra West
Director Ronald R. Bohannan – at Tierra West
Director Tim Eichenberg – at Tierra West – left the meeting at 12.54 p.m.
Director Bruce M. Thomson – at Tierra West
Director Orlando G. Martinez, Jr. – at Tierra West – arrived at 9:13 a.m.

Directors excused: None

Others present: Crystal Griego, Acting Executive Director
Staff
Other attendees on file at AMAFCA

A quorum was present.

2. Approval of Agenda

Director Thomson made a motion to approve the Agenda. Director Bohannan seconded the motion, which passed unanimously (4-0).

3. Meetings Scheduled

a. **May 28, 2026, 9:00 a.m. – Regular Meeting**
b. **June 25, 2026, 9:00 a.m. – Regular Meeting**
c. **July 23, 2026, 9:00 a.m. – Regular Meeting**
d. **August 27, 2026, 9:00 a.m. – Regular Meeting**

There were no changes to the above dates.

4. Items from the Floor / Public Comments

No items from the floor or public comments were received.

5. Approval of Minutes

a. **April 23, 2026**

Director Bohannan made a motion to defer the Minutes of April 23, 2026 to the next scheduled Regular Board meeting. Director Thomson seconded the motion which passed unanimously (4-0).

6. AMAFCA Budget Discussion

a. Bond Program Review

Ms. Maria Zuniga, AMAFCA Director of Finance & Procurement, walked the Board through Bond Basics and answered various questions. The presentation included topics such as What is a General Obligation (GO) Bond? Why does AMAFCA use GO Bonds? How are GO Bonds repaid? GO Bonds versus Other Types of Debt. What CAN we (AMAFCA) use GO Bonds for? What AMAFCA cannot use GO Bonds for? And Why are there Federal Rules around GO Bonds?

Ms. Zuniga had requested guidance from bond counsel regarding allowable uses of bond proceeds. Those discussions focused on equipment purchases; project related staff and internal costs; internal capital projects and potential projects involving federal facilities. Ms. Zuniga stressed that bond counsel advised that extensive project-specific documentation and tracking needed to stratify audit requirements.

Ms. Zuniga introduced Messrs. Erik Harrigan, Managing Director with RBC Capital Markets, LLC, and Peter Franklin, Attorney with Modrall Sperling.

There was a brief discussion regarding AMAFCA charging a portion of project-related staff salaries, large equipment purchases, and infrastructure improvements associated with any capital project(s) to the applicable capital project. It would be imperative for staff to track time spent on those particular projects. Currently, AMAFCA crew maintenance staff utilize a daily form for project tracking. AMAFCA staff paid on a salary basis do not complete time tracking paperwork.

Mr. Peter Franklin provided a background on federal limitations for expenditure of proceeds on tax-exempt Bonds and answered questions from the Board. The information provided to AMAFCA is as follows:

<u>State Law Limitations</u>

- AMAFCA's authority to issue bonds is subject to voter approval.
- Projects financed with the proceeds of AMAFCA bonds must fit within its voter approval.
- AMAFCA's voter approval is broad, but contemplates expenditures on capital projects and equipment:

<u>Federal Law Limitations</u>

- In order for the interest on AMAFCA's bonds to be exempt from taxation, the Internal Revenue Code and underlying Regulations generally require that bond proceeds be spent on "capital expenditures," unless one of a number of narrow exceptions apply.
- Capital Expenditures are those which are "properly chargeable to capital account" under general federal tax principals—i.e., costs that can be capitalized rather than expensed.
- There are exceptions for certain "working capital expenditures," such as costs of issuing bonds and limited startup costs for a capital project.

AMAFCA can charge costs of larger scale internal projects to Bond funds if the expenditure can be accurately tracked and documents.

- The costs of each project must be of the type that AMAFCA would capitalize for accounting purposes, in the same manner that other expenditures of proceeds from the specific bond issue have been capitalized.
- The costs of crew time, equipment rentals, fuel, and any other costs would have to be directly allocated to each project in detail; i.e., the specific amount of fuel, the number of hours of crew time and the specific crew activities conducted during those hours would need to be tracked for each project. In our experience, issuers that have allocated internal costs to bond proceeds have not met those specific requirements.
- The expenditures would need to be allocated to proceeds of a specific series of bonds within 18 months of the latter of (i) the date of the expenditure and (ii) the date that the capital project is placed in service.
- Expenditures made more than 60 days prior to the issuance of the bonds that would be charged cannot be reimbursed from such proceeds unless AMAFCA adopted a resolution stating its intent to reimburse itself for such expenditures no more than 60 days after the date of the expenditures in question.
- The risk of not meeting these requirements is that, in the event of an audit, the IRS may re-characterize internal capital expenditures that are not properly documented as working-capital expenditures, which could jeopardize the tax-exemption of the bond issue financing those costs.

Regarding using Bond proceeds for projects related to federal facilities, example: Kirtland Air Force Base (KAFB).

- AMAFCA cannot use proceeds of tax-exempt bonds to finance facilities owned or used by the federal government or its various agencies and departments.
- KAFB's reimbursement of AMAFCA for the costs of the facilities would probably constitute a federal guarantee of debt service on the bonds, which is a separate disqualifying feature of this proposed arrangement.
- AMAFCA has statutory authority to undertake projects both within and outside its boundaries, but unless facilities located outside of AMAFCA's boundaries provide substantial benefit to taxpayers within its boundaries, it is unlikely that such facilities would qualify as a project that AMAFCA is authorized to undertake.
- In addition to the disqualifying factors listed above, equipment financed with AMAFCA bonds should not be used in a substantial way for projects located on federal land that are utilized by federal entities, which are considered to be non-governmental users for purposes of the exemption of interest from gross income for federal income tax purposes.
- "Substantial" in this context means that if more than 5% of the proceeds of bonds are used to finance equipment employed in projects owned by or utilized by federal entities, such bonds would be private activity bonds, the interest on such bonds would be included in the gross income of holders of the bonds, and the IRS would hold AMAFCA responsible for penalties and the taxable interest on the bonds.

Bonds can be used to pay for equipment.

- Bond proceeds can generally be used for capital expenditures that fit within the voter-approved purposes of the bonds.

- AMAFCA's bond election question language is broad enough to encompass the acquisition of necessary equipment to carry out its flood control projects, and we understand that the equipment acquired by AMAFCA is generally capitalizable. Under the federal tax regulations, the weighted average maturity of the bonds that finance the equipment generally cannot exceed 120% of the average economic life of the equipment.

- AMAFCA's bonds mature in 12 years or less, and it is not likely that the shorter economic life of equipment would be problematic, but it is important to consider that limitation when planning for the use of proceeds of an issue of bonds.

Regarding using Bond proceeds to pay for AMAFCA staff time, if it is project-related.

- Mr. Franklin stressed it would be advisable for staff time devoted to each specific project to be documented in detail using time sheets. The requirements outlined are difficult to satisfy, and the risk associated with failing to satisfy those requirements is potentially quite costly. Modrall does not recommend using bond proceeds to pay for staff and other internal costs.

Mr. Jared Romero, AMAFCA Drainage Review Engineer, provided an overview of the 2027 Project Schedule showing AMAFCA's projects along with the estimated costs. He provided an overview of the Fiscal Year Start Balance, Obligations, Funding Reimbursement, Bond Sale amounts, and End Balance.

Mr. Erik Harrigan recapped the Disabled Veteran Exemption and advised AMAFCA pays off the debt really quickly. He advised targeting a September bond sale.

The Board did not make any changes to the priority or classification of any of the proposed projects for the upcoming Bond Sale.

a. Budget Discussion

Ms. Zuniga presented various Budget Discussion items to include Key Financial Trends; AMAFCA Strategic Discussion Matrix; and provided worksheets that could be utilized to get more detailed. The worksheets were not needed at that time. There was a discussion regarding staff vacancies and those vacancies that need to be filled soon due to the impact on staffing levels and the work that is currently sidelined due to those staff vacancies.

7. Executive Session (closed)

a. Limited Personnel Matters (§ 10-15-1(H)(2)) – Discussion on search for Executive Engineer

Chair Taylor advised Item **7.a.** was a Closed Session agenda item. The meeting was at the Tierra West building with all five Directors in attendance. Director Thomson made a motion that the meeting be closed, pursuant to the Open Meetings Act, § 10-15-1 NMSA 1978, Subsection H, to preserve the confidentiality of the information to be discussed, and as further described in "*The Open Meetings Act, A Compliance Guide for New Mexico Public Officials and Citizens*," eighth edition, 2015, to discuss Limited Personnel Matters (§ 10-15-1(H)(2)). Director Eichenberg seconded the motion, which passed unanimously (5-0) on a roll call vote. Mr. Esqui Padilla was present during a portion of the closed session. Ms. Crystal Griego was present during the entire closed session.

Chair Taylor closed the meeting at 11:56 a.m. Chair Taylor asked for a motion to re-open the meeting at 1:02 p.m. Director Thomson made a motion that the meeting be re-opened. Director Martinez seconded the motion, which passed unanimously (4-0) on a roll call vote. Director Eichenberg left the meeting prior to the vote. Chair Taylor stated only Limited Personnel Matters were discussed in closed session and no decisions were made.

8. Unfinished Business

None.

9. New Business

None.

10. Adjourn

There being no further budget topics scheduled, Chair Taylor adjourned the workshop at 1:02 p.m.

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Orlando G. Martinez, Jr., Secretary – Treasurer, 6/25/2026

If Draft is noted as a watermark, the minutes are in draft form, are not the official minutes of record, and are subject to approval by the AMAFCA Board of Directors