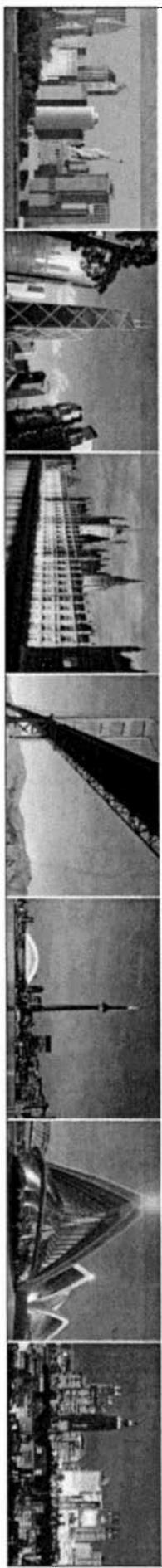




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Discussion of Education Technology Notes (“ETNs”)

April 23, 2014



RBC Capital Markets®

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Education Technology Act

- During the November 1996 General Election, voters approved a constitutional amendment permitting districts to enter into lease-purchase agreements payable entirely or in part from ad valorem (property) taxes for the acquisition of educational technology equipment.
- Subsequently, the 1997 Legislature passed the Education Technology Equipment Act [6-15A-1 through 6-15A-16], which is the enabling legislation for implementation of the constitutional amendment.
- The constitutional amendment and the enabling legislation allow districts to create debt by entering into a lease-purchase agreement to acquire education technology equipment without submitting the proposition to a vote of qualified electors.
- Education technology equipment, including the amending legislation signed by Governor Martinez on April 8, 2011, consist of the following tools:
 - Closed-circuit television systems
 - Educational television
 - Radio broadcasting
 - Cable television
 - Satellite
 - Copper & fiber-optic transmission
 - Computer network connection devices
 - Digital communications equipment (voice, video and data)
 - Servers
 - Switches
 - Portable media such as discs and drives to contain data for electronic storage and playback
 - Software licenses or other technologies and services
 - Maintenance
 - Equipment and computer infrastructure information
 - Techniques and tools used to implement technology in schools and related facilities
 - Improvements, alterations and modifications to, or expansions of, existing buildings or personal property necessary to house or otherwise accommodate any of the tools listed above.

General Obligation Education Technology Notes (“ETNs”)

- Districts may create debt by entering into a lease-purchase arrangements to acquire education technology equipment.
- Does not require voter approval, however, a public hearing process is required at a special Board meeting.
- ETN debt is included in calculating bonding capacity, regardless which source of funding is used to make payments for the lease-purchase agreements. Constitutional limitation is 6% of assessed valuation.
- Final maturity may not exceed 5 years.
- Debt may be refunded or refinanced.
- ETNs may be sold or issued at public competitive sale, negotiated sale or private sale to the New Mexico Finance Authority or State Treasurer’s Office.
- Provides a sustainable, predictable and equitable funding source for technology needs.
- Technology and technology maintenance costs could be permanently shifted to ETN program.

Examples of ETN Transactions

District	Vaughn	Dexter	Gadsden	Farmington	Santa Fe	Albuquerque
Issue Size:	\$100,000	\$550,000	\$3,750,000	\$6,500,000	\$11,000,000	\$13,000,000
Year of Sale:	2013	2013	2013	2014	2014	2013
Maturity Schedule:						
Year 1	32,000	120,000	1,750,000	1,700,000	9,000,000	7,350,000
Year 2	28,000	125,000	2,000,000	1,700,000	2,000,000	1,000,000
Year 3	40,000	135,000	-	1,700,000	-	750,000
Year 4	-	170,000	-	1,400,000	-	1,950,000
Year 5	-	-	-	-	-	1,950,000
All-In TIC:	7.01%	3.59%	1.82%	1.36%	0.81%	1.03%
ETN Tax Rate:	\$0.650	\$0.742	\$1.926	\$1.666	\$1.500	\$0.430
Purchaser:	NMFA	NMFA	NM STO	NMFA	NM STO	Public Sale
Uses of Proceeds:	Mimio Systems & Laptops	Laptops, tablets & desktops Smart Boards & Printers MS Office Software	Annual License Renewal & Support Infrastructure & Operations Servers, computers, various curriculum programs	Annual License Renewal & Support Infrastructure & Operations Apple MacBooks, server upgrades, various curriculum programs	Annual License Renewal & Support Infrastructure & Operations Servers, computers, various curriculum programs	Annual License Renewal & Support Infrastructure & Operations Wireless to portables, disaster recovery equip., IT Security, Lawson

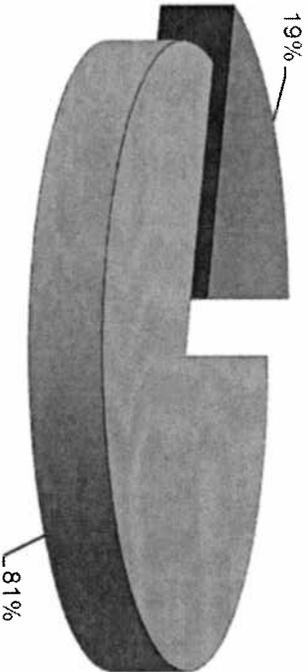


New Mexico School Districts Utilizing ETNs

District	TY2013		How ETNs Were Imposed
	Mill Levy		
Deming	2.533		Board Authorized
Springer	2.465		Board Authorized
Gadsden	1.926		Board Authorized
Des Moines	1.703		Board Authorized
Farmington	1.666		Board Authorized
Santa Fe *	1.500		Board Authorized
Capitan	1.148		Board Authorized
Questa	1.123		Board Authorized
Cimarron	0.793		Board Authorized
Dexter	0.742		Board Authorized
Lake Arthur	0.677		Board Authorized
Carlsbad	0.654		Board Authorized
Vaughn	0.650		Board Authorized
Taos	0.636		Board Authorized
Alamogordo	0.588		Board Authorized
Loving	0.557		Board Authorized
Portales	0.449		Board Authorized
Albuquerque	0.430		Included in G/O Authorization
Las Vegas City	0.169		Board Authorized
Cobre	0.054		Board Authorized
Jemez Mountain	0.043		Board Authorized
Average	0.976		

* To be imposed in tax year 2014.

New Mexico Schools District Using ETNs



■ Total School Districts in NM ■ Total School Districts using ETNs

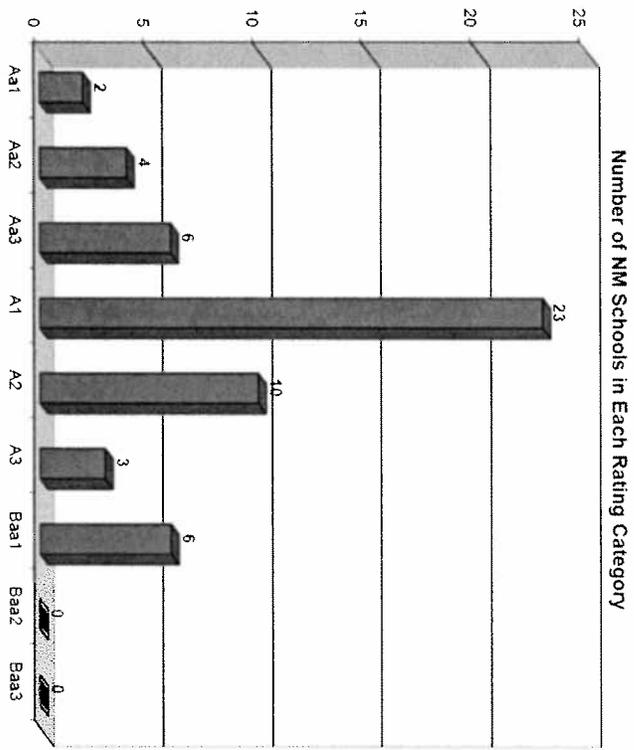


Moody's Ratings for New Mexico School Districts

New Mexico School Districts

Current Rating	School District	Current Rating	School District
Aa1	Albuquerque Public School District	Aa1	Pojoaque Valley Public School District
Aa1	Santa Fe Public School District	A1	Portales Municipal School District
Aa2	Las Cruces Public School District	A1	Ruidoso Municipal School District
Aa2	Los Alamos Public School District	A1	Silver Consolidated School District
Aa2	Farmington Municipal School District	A1	Socorro Consolidated School District
Aa2	Roswell Independent School District	A1	Taos Municipal School District
Aa3	Alamogordo Public School District	A1	Taxico Municipal School District
Aa3	Aztec Municipal School District	A1	Truth or Consequences Municipal Schools
Aa3	Carlsbad Municipal School District	A2	Cloudcroft Municipal School District
Aa3	Clovis Municipal School District	A2	Cobre Consolidated School District
Aa3	Hobbs Municipal School District	A2	Dexter Consolidated School District
Aa3	Rio Rancho Public School District	A2	Dulce Independent School District
A1	Bellevue Consolidated School District	A2	Estancia Municipal School District
A1	Bernalillo Public School District	A2	Gadsden Independent School District
A1	Bloomfield School District	A2	Las Vegas City Public School District
A1	Central Consolidated School District	A2	Quemado Independent School District
A1	Cimarron Municipal School District	A2	Raton Public School District
A1	Deming Public School District	A2	Tucumcari Public School District
A1	Espanola Public School District	A3	Chama Valley Independent School District
A1	Esuize Public School District	A3	Mesa Vista Consolidated School District
A1	Gallup-McKinley County School District	A3	West Las Vegas Public School District
A1	Grants-Cibola County School District	Ba1	Carrizozo Municipal School District
A1	Lordsburg Municipal School District	Ba1	Logan Municipal School District
A1	Los Lunas Public School District	Ba1	Pecos Independent School District
A1	Loving Municipal School District	Ba1	Penasco Independent School District
A1	Lovington Municipal School District	Ba1	Santa Rosa Consolidated School District
A1	Moriarty Municipal School District	Ba1	Tatum Municipal School District

Source: Moody's Investors Service



Rating	Definition
Aaa	Highest possible rating. Principal & interest extremely secure.
Aa1/Aa2/Aa3	High ability to pay principal & interest.
A1/A2/A3	Good ability to pay principal & interest.
Baa1/Baa2/Baa3	Adequate ability to pay principal & interest.

Senate Bill 6 Recommendations

Include Additional Provisions in SB 6

Staff Support for Technology

- Expenditures for support, including salary, benefits and training expenses of school district employees who oversee the administration of education technology projects funded by a lease-purchase arrangement; provided that expenditures pursuant to this paragraph include training by third-party vendors.

State Guarantee

- If a local school board wants the guarantee provided in Section 22-18-3 NMSA 1978, it shall comply with the requirements of that section in the same manner and to the same extent as if the lease-purchase arrangement were a general obligation bond.
- Equipment or Money.
- Provide education technology equipment "or proceeds from the debt" equal in value.