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NEW MEXICO FINANCE AUTHORITY

Overview of Suggested Statutory Changes

Presentation to
New Mexico Finance Authority
Oversight Committee

August 8, 2018

County Correctional Facility Gross Receipts Tax Changes

- The statute governing the County Correctional Facility Gross Receipts Tax currently requires that when it is pledged to the repayment of bonds or other indebtedness, all revenue available after debt service shall be accumulated in a mandatory redemption fund to redeem bonds prior to the stated maturity date.

- This statutory requirement can be problematic for Counties and lenders:

  - Counties need the excess revenue after debt service for the stated uses of the tax and cannot afford to have excess revenue captured in a mandatory redemption fund;

  - Banks/Lenders/Market have to account for a customized, non-traditional call feature to allow for the use early redemption, which can increase debt costs;

  - Can complicate revenue intercepts and accounting for indebtedness where the County Correctional Facility GRT is combined with other pledged revenue;

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County Correctional Facility Gross Receipts Tax Changes

- HB 225 of the 2018 Regular Session (Rep. Dow and Rep. Leavell)
- Proposed changed: change "shall" to "may". This allows for Counties to determine whether funding a mandatory redemption fund or using excess revenues for the statutorily permitted purposes is in its best interest.
- NMFA has had this issue come up with:
  - Chaves County
  - Sierra County
  - Curry County
  - Luna County

County Emergency Communications Tax Changes

- The statute governing the County and Countywide Area Emergency Communications and Emergency Medical and Behavioral Health Services Taxes does not currently allow for Counties to address building needs for emergency communications centers when using the tax to issue revenue bonds (purchasing emergency communications equipment is currently allowed).
- SB 205 of the 2018 Regular Session (Sen. Smith)
- Proposed change: add construction, improving, remodeling or purchasing one or more buildings to use as an emergency communications call center as an eligible use, as well as change the name of the tax.
- NMFA has had this issue come up with:
  - Valencia County
  - Sierra County

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State Fire Protection Fund Changes

- The statute governing the State Fire Protection Funds prohibits a municipality or county fire district from having more than one fire station/substation loan outstanding at anytime. The statute is also not as clear as it could be on the expenditure of funds for land related to fire stations and substations.

- The statutory prohibition is problematic for municipalities and county fire districts that currently have, or will need to have, multiple fire stations and substations.

- HB 283 of the 2018 Regular Session (Rep. Sweetser)

- Proposed change: strike the language prohibiting more than one fire station or substation obligation at anytime, as well as include purchase of land for fire stations and substations as an eligible use.

- NMFA has had this issue come up with:
  - Otero County
  - Torrance County
  - City of Albuquerque
  - Other entities

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Municipal Revenue and Refunding Bond Statutory Changes

- The statute authorizing municipalities to issue refunding bonds (section 3-31-8 NMSA 1978) does not allow for there to be changes to the original bond issue's pledged revenue when issuing refunding bonds utilizing:
  - Utility Bonds;
  - Joint Utility Bonds; or
  - Gas Tax Bonds.
- The statutory prohibition is problematic for municipalities that have seen market and economic changes, either positive or negative, that necessitate and/or support the need to change pledged revenues on the refunding bonds from what the original bonds contemplated.
- NMFA has had this issue come up with:
  - Town of Taos
  - City of Carlsbad

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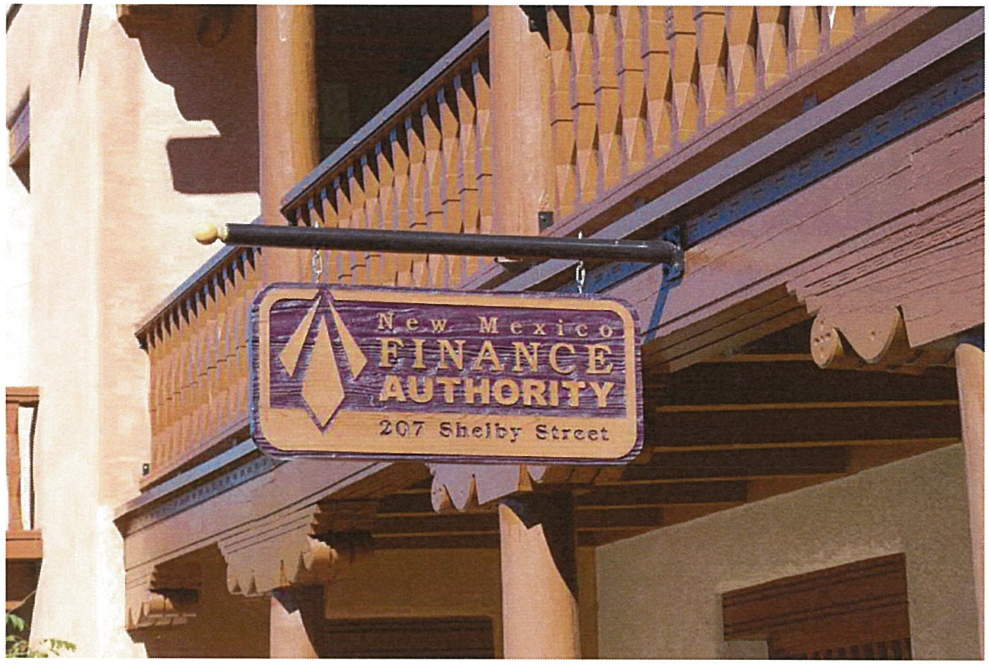

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