NEW MEXICO FINANCE AUTHORITY

Report to the New Mexico Finance Authority Oversight Committee

Bond 101: An Overview of the Bonding Process

Public Project Revolving Fund Overview, Securities Delegation Report, and Review of Proposed Changes to the PPRF Rules

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Presentation Overview

- Understanding Municipal Bonds
- Types and Structure of Municipal Bonds
- Disclosure Laws and Best Practices
- Bond Team Members
- Financial Analysis and Credit Review
- Bond Issuance Process
- Bond Sale Basics
- Other NMFA Bonding Roles
- NMFA's Public Project Revolving Fund At-A-Glance
  - Status of PPRF and Programmatic Advantages to borrowers
  - PPRF Loan Portfolio Breakdown
  - Cost Comparison – PPRF vs. Borrower Stand-Alone
- PPRF Bond Lien schematic
- Securities Delegation Report
- Discussion of proposed PPRF Rule amendments

Understanding Municipal Bonds
What Are They? Why Issue Them?

- What is a municipal Bond?
  - Bonds are a form of debt security issued by both public and private entities.
- Municipal Bonds are bonds issued by states, counties, municipalities, and other political subdivisions of the state, ("Issuers"). They are also issued by Indian Nations and Pueblos.
- Issuers issue bonds to finance projects.
- Projects can be public or in some cases private.
  - Almost all bonds are issued to finance capital projects.
  - Bonds are rarely issued to finance operations and maintenance ("O&M").
    - There are many restrictions on issuing bonds to fund O&M.
    - The New Mexico Constitution contains many restrictions on the issuance of debt, including bonds.

Understanding Municipal Bonds
Bond Payments

- Issuers sell bonds to raise money for capital projects.
- Issuers promise to repay the principal from a specific revenue source.
- Bonds can have different “maturities.”
  - A maturity is the date a specific amount of principal is to be paid.
- Issuers pay interest on the outstanding bonds, usually semi-annually.
- Bonds may be issued with fixed or floating interest rates
  - Fixed rate bonds carry an interest rate that is locked at purchase and doesn’t change, regardless of market fluctuations.
  - Floating interest rate bonds, called variable rate demand obligations, carry an interest rate that is reset at regular intervals (daily, weekly, or monthly) and tied to an agreed upon benchmark.
- By policy, NMFA only issues fixed rate bonds.

Constraints on Bond Issuance

- Financial constraints:
  - An Issuer must have funds available to pay principal and interest on the bonds for the term, or life, of the bonds.
- Legal constraints:
  - Bond issuance must be authorized by law and sometimes may need voter approval.
  - State and federal laws limit term, repayment source and use of bond proceeds.
- Federal law also applies to municipal bonds, primarily with respect to disclosure and tax exemption.
- There are high costs associated with bond issuance, as Issuers have to retain lawyers and financial advisors to assist with structuring and selling the bonds, and with legal compliance.

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- Municipal Bonds can be divided up and categorized in many ways, but two of the most important are:
  - Taxable
  - Tax-Exempt
- There are other types of bonds, such as “Private Activity” and “Bank Qualified” bonds
  - “Private Activity” bonds are conduit revenue bonds issued by state and local governments (including NMFA through the Statewide Economic Development Finance Act) for certain projects that often benefit private entities.
    - Most common private activity bonds issued in New Mexico are affordable housing bonds issued by Housing New Mexico.
  - “Bank Qualified” bonds are certain public purpose bonds issued by small issuers.
    - NMFA bonds are not Bank Qualified due to the amount of bonds NMFA issues each calendar year.
  - We will not discuss them further today.

Taxable vs. Tax-Exempt Bonds

- Interest paid on bonds is usually considered to be taxable income to the holder of the bond and is subject to both federal and state income taxes.
- Federal law allows Issuers to issue debt the interest on which is not subject to federal income tax.
- State law allows much debt issued by Issuers to be exempt from state income tax.
- Municipal bonds may be tax-exempt pursuant to Sections 103 and 141-150 of the Internal Revenue Code, (“Code”).
  - The rules relating to issuance of tax-exempt debt are very complicated.
    - The rules are designed to prevent abuse of the tax-exemption – called “tax arbitrage”.
    - Issuers must retain highly trained professionals to ensure compliance.
- Why issue tax-exempt debt?
  - Interest cost savings. Interest rates on tax-exempt debt are lower, because the bond holder does not need to pay tax on the interest received and will therefore accept a lower rate.
  - For larger issues, the savings from the lower interest rate will outweigh the cost of hiring professionals to ensure compliance with the tax-exempt rules.

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- Issuers usually pledge one of two types of revenue to pay the principal and interest on bonds. The source of repayment is referred to as the "Pledged Revenues."
  - Tax-Backed Bonds:
    - Bonds secured by (and repaid solely from) a tax or government fee.
  - System or Project Revenue Bonds:
    - Bonds issued to fund specific projects that generate revenues, and those revenues can be pledged to the repayment of the bonds
- There is a special type of bond financing, called "pooled financing":
  - The NMFA's Public Project Revolving Fund ("PPRF") is a "pooled financing" program.
  - A "pooled financing" is one where a main Issuer, e.g. the NMFA, issues bonds and then lends the proceeds of the bonds to other qualified borrowers by purchasing those borrowers' bonds.
    - The Issuer makes bond payments from the principal and interest payments made by the qualified borrowers.
    - As discussed later, PPRF is more robust and flexible than other pooled bond programs because of the secondary pledge of Governmental Gross Receipts Tax ("GGRT").

Types and Structure of Municipal Bonds
Sources of Repayment

- Tax Revenues:
  - Issuers can pledge different types of tax revenue to repayment. In New Mexico, these are:
    - Property Tax revenues;
    - Gross Receipts Tax (GRT) revenues;
    - Mil levies;
    - Severance Tax revenues;
    - Other special excise tax revenues, e.g. Cigarette Tax revenues.
  - Issuers must have specific statutory authority to pledge tax revenues to bond repayment.
    - Issuers have constitutional restraints on Property Tax rates.
    - Pledges of some GRT revenues for capital projects require voter approval.
    - Some tax revenues can only be used to finance certain types of projects.
- System or Project Revenues:
  - Some examples: water and wastewater systems; hospitals; universities; electricity generation and transmission.
  - Some private businesses may be financed with municipal bonds.

- New Mexico, through the State Board of Finance, issues tax-backed bonds to fund state and local capital improvement projects.
  - General Obligation Bonds ("G.O. Bonds"):
    - Backed by property tax.
    - G.O. Bond capacity is equal to 1 percent of statewide assessed property value from the prior year less the outstanding bond debt.
    - Long term (typically 10-year terms) issuances at fixed rates.
    - Issuance of G.O. Bonds must be approved by voters.
  - Severance Tax Bonds ("STB"):
    - Backed by a percentage of severance taxes (levied on the value of severances of oil, gas and other natural resources). A portion of the tax is deposited monthly into the bond debt service fund and used only to pay-off STB debt.
    - STB capacity for long-term debt is based on estimates for 10 years of revenue, 10 years of debt at the current interest rates, and other factors.
    - SBOF regularly issues short-term notes (typically 1-3 days) that are paid-off from bond debt service funds not needed to pay-off long term bonds. In New Mexico we call these "sponge bonds" because they "sponge" up extra cash in the bond fund – allowing the state to take advantage of unused capacity.

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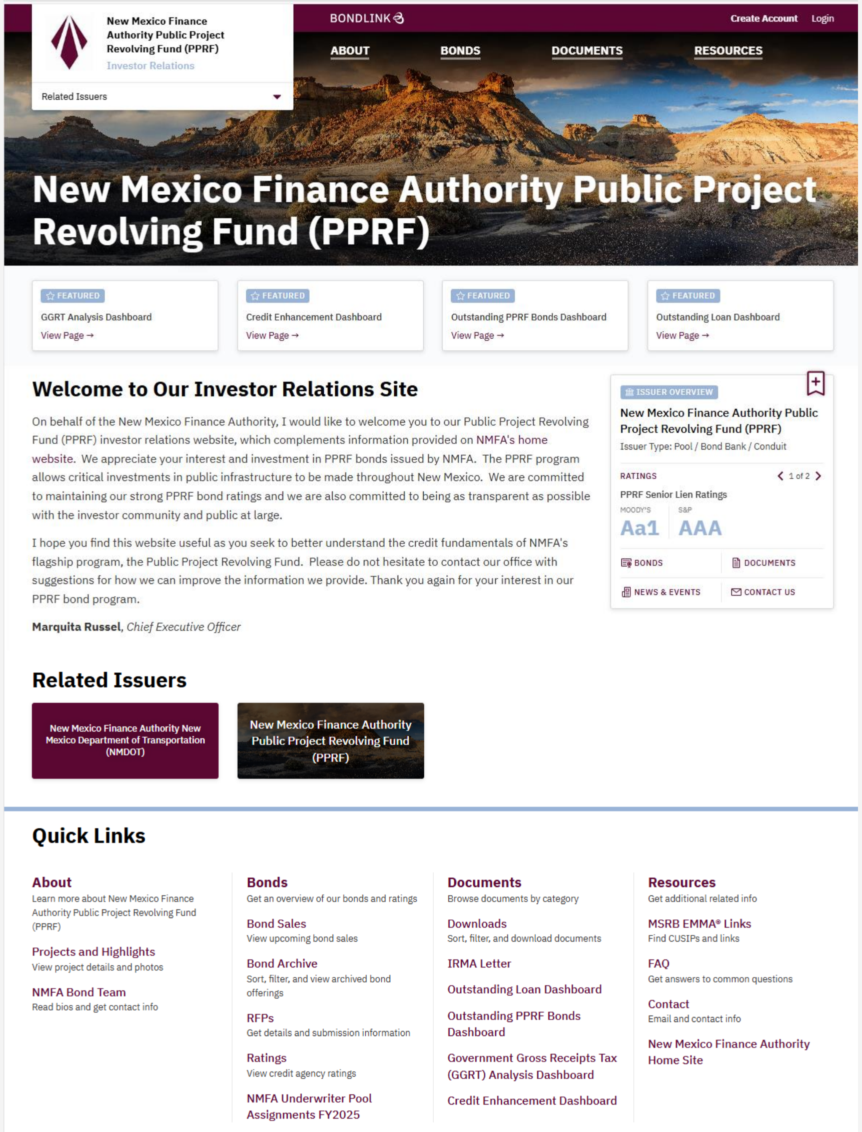
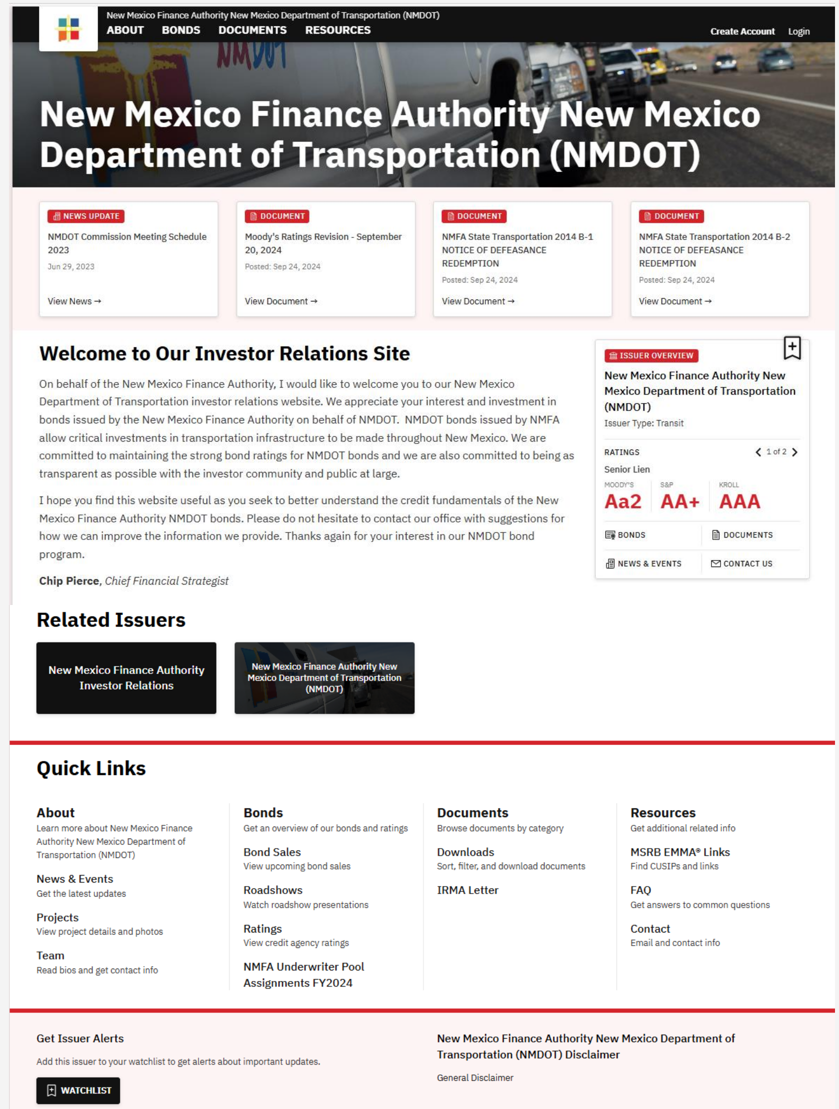
- We have discussed state law and federal tax law that apply to issuing bonds.
- Other important federal laws and rules apply relating to disclosure.
  - Although municipal bonds are "securities" they are exempt from most securities laws.
  - But laws requiring disclosure about the financial condition and other material facts about the issuer apply.
  - Issuers must produce an "Official Statement" or "OS" containing information material to bond purchasers and continue to supply some information during the term of the bonds.
  - Municipal bond issues must post continuing disclosure to the Electronic Municipal Market Access ("EMMA") website.
  - NMFA also posts information to the market on its bond investor relations websites
    - PPRF Bond Program: https://www.nmbondfinance.com
    - DOT Bond Program: https://www.nmdotbonds.com
    - NMFA was one of two recipients of the *2022 Best Investor Relations Website Award* by BondLink, a municipal bond disclosure and communications company.

NMFA Bond Investor Websites





Professional Roles in Bond Issuance

- Issuers have to retain many professionals and pay other costs in order to issue their bonds.
  - Registered Municipal Advisor: advises the Issuer on the bond's structure, timing, terms, and manner of sale.
  - Bond Counsel: prepares documents and gives opinions that Issuer has met all legal and procedural requirements to necessary to issue a bond.
    - In a pooled bond issuance; Issuer and borrower each frequently retain their own counsel
  - Underwriter: sells the bonds to ultimate investors.
  - Underwriter's Counsel: reviews disclosure documents, prepares bond purchase agreement; works for the underwriter.
  - Bond Trustee: a financial institution that acts in a fiduciary capacity for the bondholders to enforce terms of the bond indenture and perform other bond related functions.
  - Rating Agencies: assign ratings based on an objective assessment of the security pledged to the bonds. Factors include financial health, economic/demographic factors, management and legal provisions.
  - Bond Buyers/Bondholders – Retail (people) and institutional (mutual funds, insurance companies) that hold and trade bonds.

Professional Roles: Municipal Advisors & Underwriters

- Registered Municipal Advisors
  - Municipal Advisors help structure the bonds.
  - They represent the interests of the Issuer, and make sure the bonds are structured in the best interests of the Issuer.
  - Municipal Advisors help determine the appropriate size of a bond issue, the best time to go to the market with a bond issuance, and the best manner of sale for the bond issuance.
  - Works with national Rating Agencies on behalf of the Issuer to secure bond ratings.
  - Represents Issuer during bond sale process.
- Underwriters
  - Underwriters price, market, and sell bonds.
  - Bond terms include: interest rates; maturities; term of the bonds; premiums and discounts; lien structure.
  - Underwriters use the OS to market the bonds.
  - Underwriters are paid a commission for their work; the commission can be determined in various ways, and is usually paid from the proceeds of the bonds.

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Professional Roles: Lawyers

- Lawyers! A lawyer or firm of lawyers may serve in one or more roles, depending on the size and complexity of the bond issue. Like the other professionals, lawyers are usually paid from the proceeds of the bonds.
  - Bond Counsel
    - Lead counsel in the transaction, drafts all the bond documents (unless one or more special counsel below are retained); supplies bondholders with opinion that the Issuer met all legal and procedural requirements to issue bonds.
  - Disclosure Counsel
    - Responsible for drafting the OS.
  - Issuer Counsel:
    - Represents the interests of the Issuer. May be in-house attorney. Bond Counsel may only serve as Issuer Counsel for transaction and/or bond related issues.
  - Tax Counsel:
    - In complicated tax-exempt deals, special tax counsel may be retained to ensure compliance with the Code.
  - Underwriter's Counsel.
    - In some deals, underwriters may elect to have their own counsel. These lawyers draft the Bond Purchase Agreement and review the OS.

Professional Roles: Bond Trustee and Rating Agencies

- Bond Trustee
  - A financial institution or other entity with trust powers that acts as a fiduciary for the benefit of the bondholders, enforcing the terms of the trust indenture, and often:
    - Acting as Paying Agent (transmitting payments from Issuer to bondholder)
    - Acting as Dissemination Agent (on going disclosure requirements)
    - Disbursing bond proceeds as directed in the trust indenture or resolution
    - Invest bond proceeds as instructed by Issuer and as allowed by trust indenture or resolution
  - Typically paid a fee at closing, annual fees, and other transaction fees (wiring fees, etc)
- Rating Agencies
  - Rating Agencies examine the bond issuer, evaluate the creditworthiness of the bonds being issued, and assign a “rating” to the bonds.
  - A better bond rating means a better credit, and therefore a lower interest rate.
  - The main Rating Agencies are Moody’s Investor Services and S&P Global Ratings.
  - Rating Agencies each use proprietary models to determine creditworthiness of Issuers and bond issues.
  - Rating Agencies are paid from bond proceeds.

Financial Analysis and Credit Review

- Security Pledges (in order of lender or bondholder security)
  - General Obligation (unlimited tax pledge)
  - Tax Pledge (gross receipts, sales, excise, etc.)
    - Essential service - not discretionary-income based (e.g. hotel tax)
  - Net System Revenue Pledge (water, sewer, etc.)
  - Special Assessment District Pledge
- Credit Worthiness
  - Economy / Market
    - Economic/population growth trends
    - Cyclical performance
    - Competition
    - Industrial diversity & concentration
  - Financial capacity, trends, status
    - Operating results - trends of revenues vs. expenditures
    - Operating & reserve balances
    - Cash position and existing versus future rate increases

- Ability to Pay
  - Structure / security / debt
    - Total outstanding debt vs. benchmarks
    - Debt service coverage
      - Net Operating Revenue / Debt Service
    - Reserves
    - Limitations on additional indebtedness
    - Credit enhancement (supplemental security)
    - Term of debt (new and overall) relative to assets and comparable benchmarks
- Risk Allocation
  - Who is bearing the risk? Do rates reflect risk allocation? (In other words what bad things happen to whom if a borrower fails to pay?)
    - Borrower – pledge of interceptable revenue
    - NMFA – Program downgrade, diminished lending capacity, downstream impact on future borrowers (higher interest rates)
    - Bondholder – bonds lose value or become worthless

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Bond Issuance Process

- Legal Document Development – loan agreements, intent and sale resolutions, etc. form the basis of the transaction and need to be developed well in advance of the sale.
- Issue Structuring – for a pooled loan program like the PPRF, underlying loan structures form the framework for the structure of the NMFA bonds and those structures need to be established before the PPRF bond issue can be structured and the POS developed and resolutions prepared.
- Disclosure Document Development – the preliminary official statement (POS) is available to potential bond purchasers 2 weeks prior to sale.
- Rating Presentations – occurs about one month before the sale of the bonds, which allow the rating agencies about 2 weeks to provide the rating and another two weeks to pre-market the bonds with ratings assigned.
- Bond Pricing – the bonds are marketed on a specific day with the final terms and interest rates determined through a negotiation with the managing underwriter (negotiated sales) or based on the best bid offered on the sale date (competitive sale).
- Bond Closing – takes place about 2 weeks following the bond sale and occurs in two steps: the pre-closing (the day before closing) at which most documents are signed and the closing, the morning on which funds are wired from the underwriter to the issuer.

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Bond Sale Basics: Manner of Sale

- Public Sale vs. Private Placement
  - Larger, more highly rated bonds are generally sold via public sale to individuals and institutional investors (insurance companies, bond funds, etc.) through an underwriting firm (an investment bank).
  - Smaller loans with low ratings or that are unrated may be sold through private placement directly to a commercial bank or to sophisticated investors.
    - Borrowers from the PPRF are privately placing their loans with the NMFA, which subsequently packages those loans into a larger PPRF bond issue.
- Competitive vs. Negotiated bond sales
  - Publicly issued bonds may be sold either through negotiation with an investment bank hired months in advance of the sale
  - Alternatively, bonds may be sold through a competitive process in which the bonds are offered for sale at a specific time and are awarded to the investment bank that provides the best (lowest interest rate) bid among the firms submitting bids.
    - Historically, approximately 75% of bonds are sold through negotiation.

Bond Sale Basics: Issuer Name Recognition

- Municipal bond interest rates are a function of several factors, including general economic conditions, strength and ratings of the Issuer, size of the bond being sold, and the amount of bonds being sold in market at the time of sale.
- The Municipal Securities Rulemaking Board (MSRB) noted in its *2024 Municipal Market Year In Review Report* that the municipal bond market was “quite eventful” in 2024 and “saw some fundamental shifts in the market” including a third consecutive year of record trades (up 10% from the previous record), an overall rise in yields, and significant new issue volume.
- Particularly in times of market disruptions, highly regarded Issuers are able to gain the attention of bond investors which may lead to increased demand for the bonds and lower interest rates.
- The NMFA is a highly regarded Issuer. The agency’s robust bond management practices and the PPRF program’s high ratings (AAA/Aa1 ratings from S&P and Moody’s, respectively) have resulted in a strong following amongst institutional investors.
  - For the PPRF, this means that the vast majority of PPRF borrowers will benefit from lower rates than they could get on their own.
  - For NMFA’s conduit bond borrowers, there is a significant marketing advantage that will likely result in lower rates.

Other NMFA Bonding Roles

- NMFA serves as a conduit Issuer for the Department of Transportation Bond and for eligible entities under the Statewide Economic Development Finance Act ("SWEDFA").
- Bonds issued on behalf of NMDOT or on behalf of a conduit borrowers issued through SWEDFA are **NOT** secured by revenues pledged to the Public Project Revolving Fund nor from any assets of the NMFA.
- New Mexico Department of Transportation:
  - At the direction of the State Transportation Commission, and as authorized by law, the NMFA serves as the conduit issuer of DOT's bonds.
  - DOT debt is secured by the collection of gasoline taxes, special fuels taxes, vehicle transaction taxes or fees, driver's license fees, other fees and taxes and federal aid revenues.
- Since the enactment of SWEDFA in 2003, the NMFA has been authorized to implement and administer a conduit project revenue bond program.
  - SWEDFA empowers the NMFA to issue project revenue bonds on behalf of an eligible entity (as defined by the Act), payable from the revenue of a project and other revenues authorized as security for the bonds, to finance a project on behalf of an eligible entity.
  - NMFA issued its first conduit bond under SWEDFA in 2024 – a limited offering of a $56.7 million Environmental Improvement Bond for the Enchantment Water, LLC Project.

Stand Alone Bond Issuance Requires Reliable Staffing and Reporting

- There are high costs involved in issuing bonds, for lawyers, advisors, underwriters, and ratings, and tax-exempt issues are more complicated and incur greater expenses, however, the expenses associated with issuing tax-exempt bonds do not end at the bond closing.
- Post-closing tax and disclosure compliance and adherence to other IRS regulations requires adequate staffing by the Issuer and frequently contractors to ensure that all regulations have been met.
- Because most tax-exempt bonds will remain outstanding for many years, it is important to have reliable staffing, record keeping and reporting systems to produce accurate and timely data.
- As a result, costs associated with bond issuances can be prohibitive for smaller governmental Issuers, particularly because smaller issuers have a harder time receiving good bond ratings and therefore getting the best interest rate.
- As a frequent issuer, the NMFA has market knowledge and expertise in issuing bonds that infrequent issuers lack.
- Borrowers of all sizes can benefit from the PPRF's low interest and avoid time-consuming and costly disclosure requirements after the loan is made.

PPRF At-A-Glance

- Credit Ratings
  - S & P: AAA (highest possible rating) for <u>both</u> Senior and Subordinate Lien Bonds
  - Moody's: Aa1 (one notch below highest rating) for <u>both</u> Senior and Subordinate Lien Bonds
- Debt Outstanding
  - $1.062 billion Senior Lien
  - $333.2 million Subordinate Lien
- Advantages of Borrowing Through the PPRF:
  - Borrowers receive the benefit of PPRF high rating and lower interest rates
  - Availability of 0%/2% disadvantaged funding loans
  - Borrowers do not bear the costs of issuance associated with selling bonds
    - Underwriters
    - Rating Agency fees
    - Disclosure Counsel
    - Underwriters' Counsel
    - Trustee/Paying Agent

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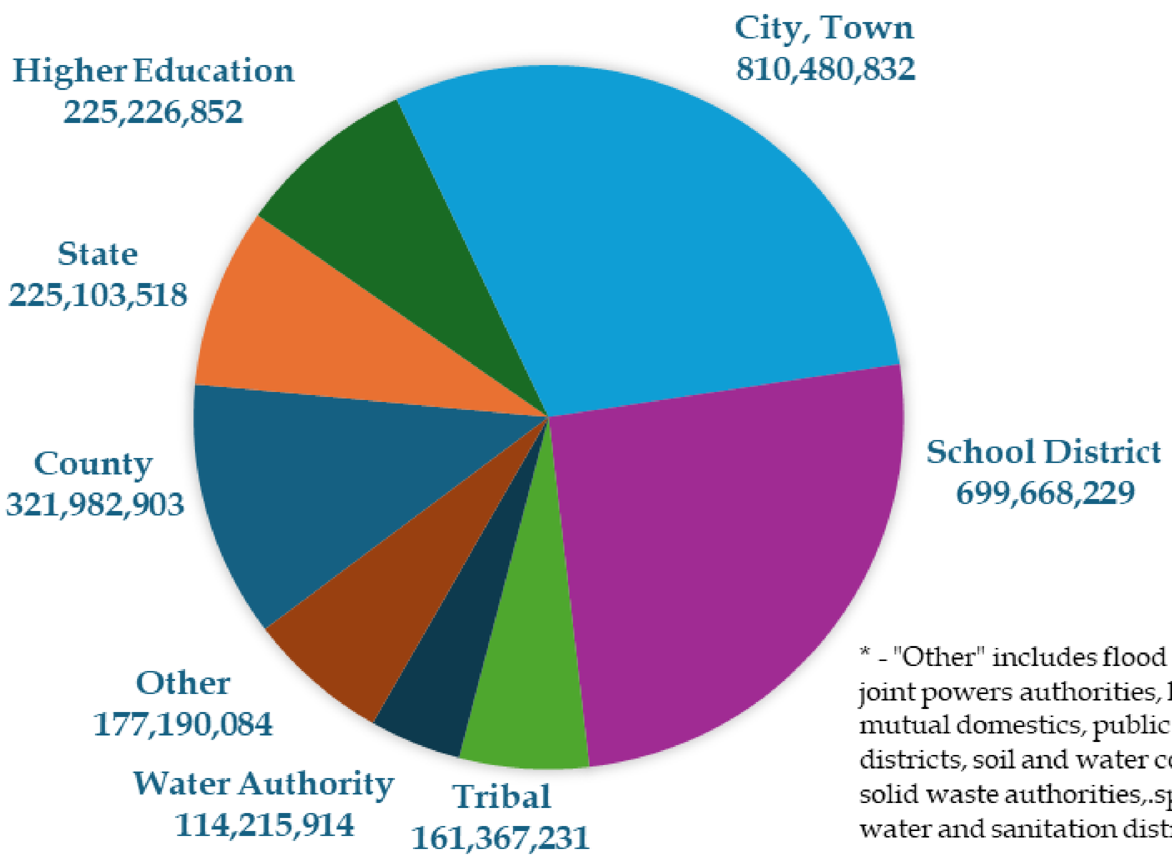
PPRF-At-A-Glance

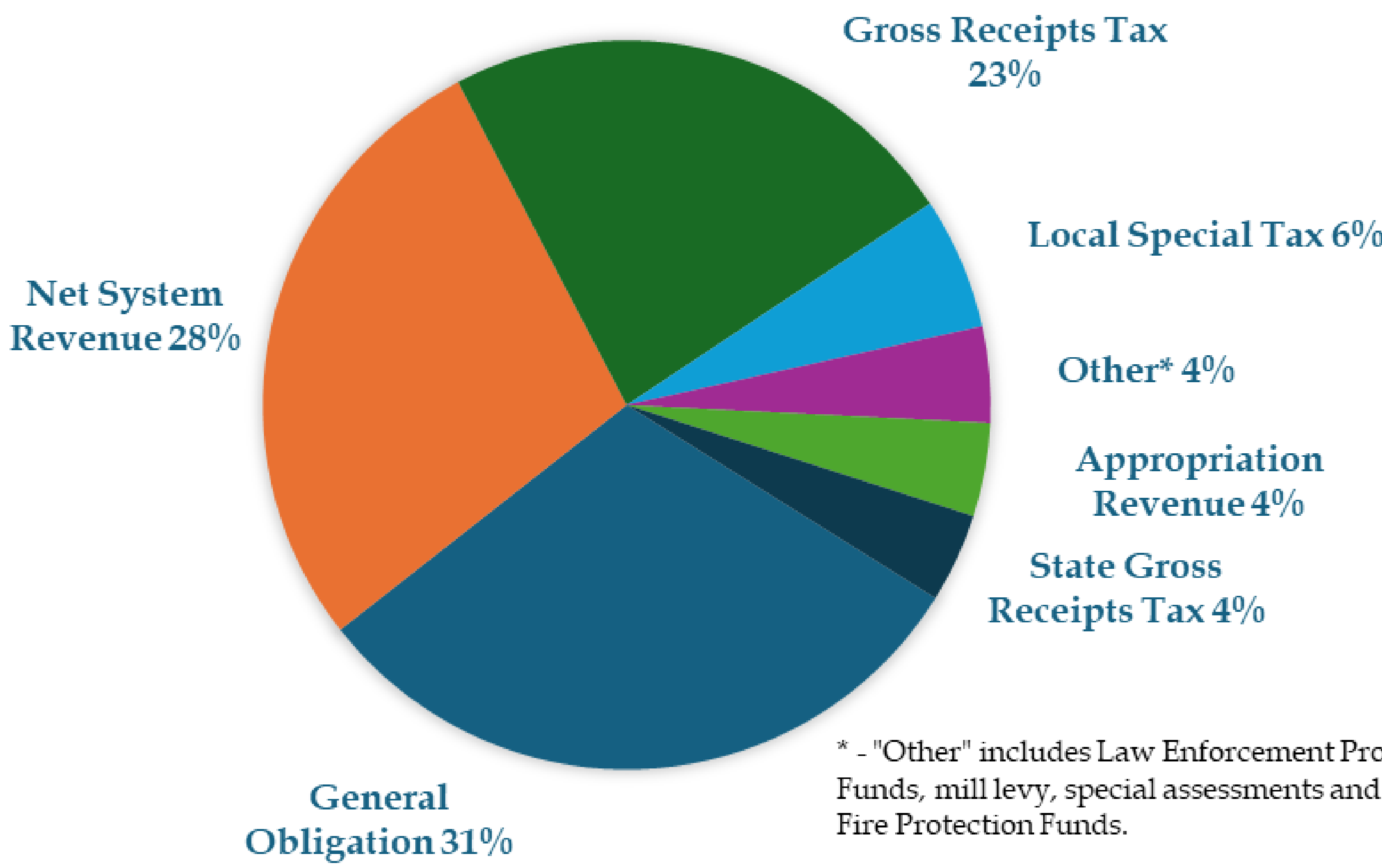
- Strength of PPRF Bond program comes from diverse revenue pledges, borrower type and location, and conservative underwriting practices:
  - PPRF lends to 33 counties, 104 municipalities, to the State, Tribes, Schools Districts, Higher Ed, Hospitals and various types of Utilities
  - Portfolio is comprised of loans with 11 different revenue pledges
- Ratings are significantly enhanced by dedication of Governmental Gross Receipts Tax (“GGRT”).
  - GGRT is a 5% tax on services provided by New Mexico Governments. GGRT tax revenue comes predominately from water related services.
  - About 25% of all GGRT is generated by the Albuquerque Bernalillo County Water Utility Authority.
  - By statute, and incorporated into the bond indentures, 75% of GGRT tax revenues flow to the PPRF and are held by PPRF’s Trustee until released to NMFA in June for PPRF purposes. For FY24, the PPRF received approximately $38 million in GGRT
  - Of this 75%, ~35% is appropriated for other programs – netting the PPRF ~50% of annual state GGRT tax revenues
- Despite no payment defaults in the PPRF, the importance of GGRT to the PPRF Program cannot be overstated

PPRF LOANS BORROWER TYPE



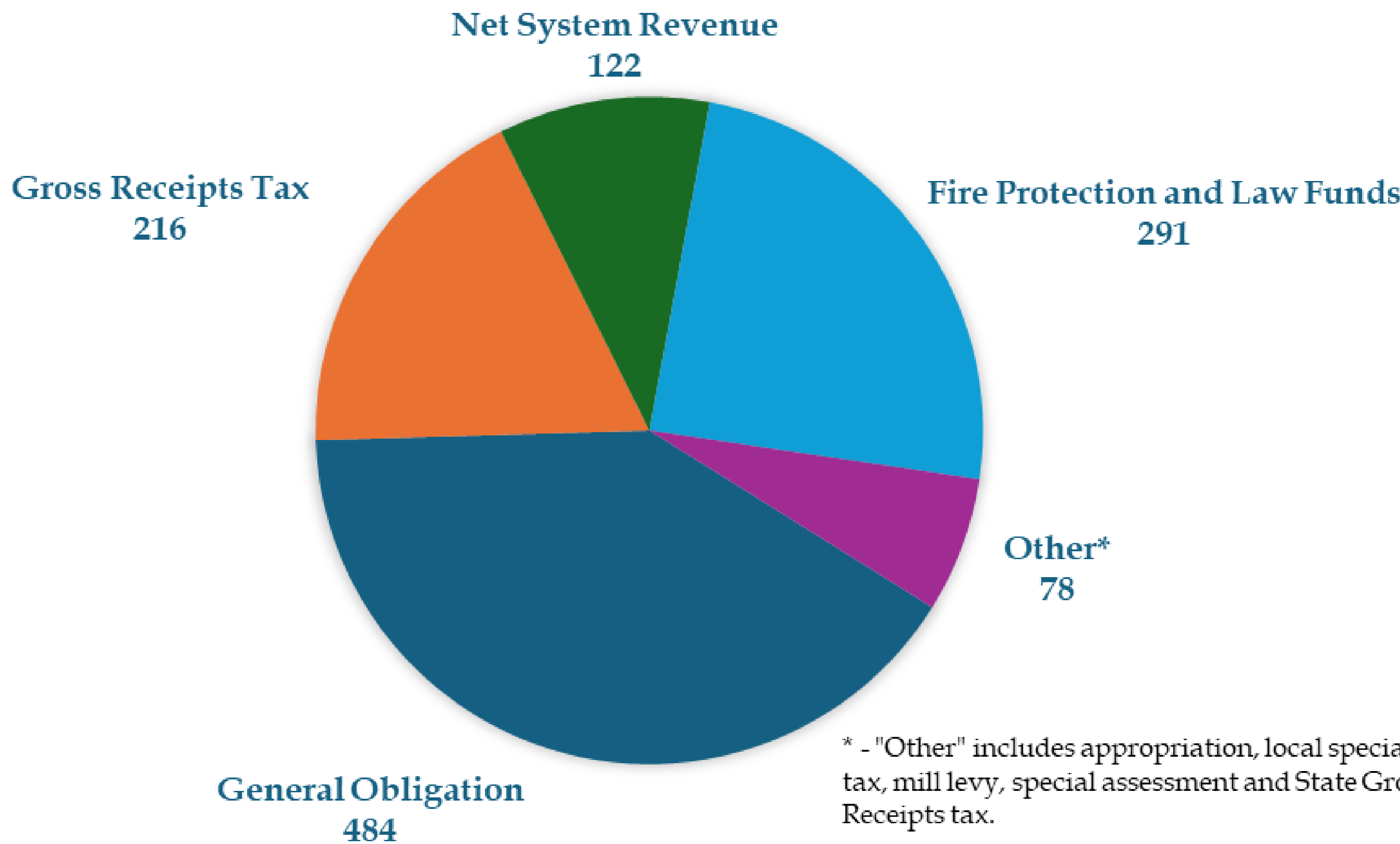
* - "Other" includes flood control authorities, joint powers authorities, hospital districts, mutual domestics, public improvement districts, soil and water conservation districts, solid waste authorities,.special districts and water and sanitation districts.

PPRF LOANS BY REVENUE PLEDGE



* - "Other" includes Law Enforcement Protection Funds, mill levy, special assessments and State Fire Protection Funds.

PPRF LOANS BY NUMBER OF LOANS



* - "Other" includes appropriation, local special tax, mill levy, special assessment and State Gross Receipts tax.

SOURCES AND USES OF FUNDS

$5 million Stand Alone Bond

Sources:	
Bond Proceeds:	
Par Amount	4,945,000.00
Net Premium	130,215.15
	5,075,215.15

Uses:		
Project Fund Deposits:		
Project Fund		5,000,000.00
Cost of Issuance:		
Stand Alone Borrower Bond Counsel	25,000.00	
Stand Alone Borrower Municipal Advisor	25,000.00	
		50,000.00
Delivery Date Expenses:		
Underwriter's Discount		22,252.50
Other Uses of Funds:		
Additional Proceeds		2,962.65
		5,075,215.15

SOURCES AND USES OF FUNDS

$5 million loan through the PPRF

Sources:	*PPRF Market Rate Loan*	*PPRF Disadvantaged Rate Loan*	*Total*
Bond Proceeds:			
Par Amount	4,120,000.00	500,000.00	4,620,000.00
Premium	384,974.00		384,974.00
	4,504,974.00	500,000.00	5,004,974.00

Uses:	*PPRF Market Rate Loan*	*PPRF Disadvantaged Rate Loan*	*Total*
Project Fund Deposits:			
Project Fund	4,500,000.00	500,000.00	5,000,000.00
Other Uses of Funds:			
Additional Proceeds	4,974.00		4,974.00
	4,504,974.00	500,000.00	5,004,974.00

Example: A NM Community needs $5 million to make road improvements

Cost comparison: PPRF vs. Borrower Stand Alone Bond

PPRF At-A-Glance

BOND PRICING

$5 million Stand Alone Bond

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)	Takedown
Serial Bonds (Market Rate):							
	06/01/2026	140,000	5.000%	2.920%	101.865	2,611.00	4.500
	06/01/2027	160,000	5.000%	2.930%	103.828	6,124.80	4.500
	06/01/2028	165,000	5.000%	2.940%	105.715	9,429.75	4.500
	06/01/2029	175,000	5.000%	2.980%	107.412	12,971.00	4.500
	06/01/2030	180,000	5.000%	3.180%	108.220	14,796.00	4.500
	06/01/2031	190,000	5.000%	3.380%	108.618	16,374.20	4.500
	06/01/2032	200,000	5.000%	3.640%	108.246	16,492.00	4.500
	06/01/2033	210,000	5.000%	3.780%	108.277	17,381.70	4.500
	06/01/2034	220,000	5.000%	3.970%	107.667	16,867.40	4.500
	06/01/2035	235,000	5.000%	4.170%	106.681	15,700.35	4.500
	06/01/2036	245,000	5.000%	4.350%	105.186 C	12,705.70	4.500
	06/01/2037	255,000	5.000%	4.500%	103.960 C	10,098.00	4.500
	06/01/2038	270,000	5.000%	4.630%	102.911 C	7,859.70	4.500
	06/01/2039	285,000	5.000%	4.740%	102.034 C	5,796.90	4.500
	06/01/2040	295,000	5.000%	4.860%	101.087 C	3,206.65	4.500
	06/01/2041	310,000	5.000%	4.960%	100.306 C	948.60	4.500
	06/01/2042	325,000	5.000%	5.080%	99.094	-2,944.50	4.500
	06/01/2043	345,000	5.000%	5.200%	97.682	-7,997.10	4.500
	06/01/2044	360,000	5.000%	5.270%	96.787	-11,566.80	4.500
	06/01/2045	380,000	5.000%	5.360%	95.621	-16,640.20	4.500
		4,945,000				130,215.15	

Dated Date	07/01/2025	
Delivery Date	07/01/2025	
First Coupon	12/01/2025	
Par Amount	4,945,000.00	
Premium	130,215.15	
Production	5,075,215.15	102.633269%
Underwriter's Discount	-22,252.50	-0.450000%
Purchase Price	5,052,962.65	102.183269%
Accrued Interest		
Net Proceeds	5,052,962.65	

BOND PRICING

$5 million loan through the PPRF

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Premium (-Discount)
PPRF Market Rate Loan, Serial Bonds:						
	06/01/2026	130,000	5.000%	2.450%	102.295	2,983.50
	06/01/2027	145,000	5.000%	2.450%	104.744	6,878.80
	06/01/2028	155,000	5.000%	2.460%	107.104	11,011.20
	06/01/2029	165,000	5.000%	2.460%	109.426	15,552.90
	06/01/2030	170,000	5.000%	2.590%	111.056	18,795.20
	06/01/2031	180,000	5.000%	2.740%	112.264	22,075.20
	06/01/2032	190,000	5.000%	2.890%	113.139	24,964.10
	06/01/2033	200,000	5.000%	3.020%	113.847	27,694.00
	06/01/2034	205,000	5.000%	3.170%	114.114	28,933.70
	06/01/2035	220,000	5.000%	3.340%	113.912	30,606.40
	06/01/2036	230,000	5.000%	3.510%	112.384 C	28,483.20
	06/01/2037	240,000	5.000%	3.650%	111.145 C	26,748.00
	06/01/2038	250,000	5.000%	3.780%	110.008 C	25,020.00
	06/01/2039	265,000	5.000%	3.890%	109.057 C	24,001.05
	06/01/2040	275,000	5.000%	4.000%	108.116 C	22,319.00
	06/01/2041	290,000	5.000%	4.100%	107.269 C	21,080.10
	06/01/2042	305,000	5.000%	4.220%	106.263 C	19,102.15
	06/01/2043	320,000	5.000%	4.220%	106.263 C	20,041.60
	06/01/2044	185,000	5.000%	4.410%	104.694 C	8,683.90
	06/01/2045		5.000%	4.480%	104.123 C	
		4,120,000				384,974.00
PPRF Disadvantaged Rate Loan, Serial Bonds (Market Rate):						
	06/01/2026				100.000	
	06/01/2027				100.000	
	06/01/2028				100.000	
	06/01/2029				100.000	
	06/01/2030				100.000	
	06/01/2031				100.000	
	06/01/2032				100.000	
	06/01/2033				100.000	
	06/01/2034				100.000	
	06/01/2035				100.000	
	06/01/2036				100.000	
	06/01/2037				100.000	
	06/01/2038				100.000	
	06/01/2039				100.000	
	06/01/2040				100.000	
	06/01/2041				100.000	
	06/01/2042				100.000	
	06/01/2043				100.000	
	06/01/2044	155,000			100.000	
	06/01/2045	345,000			100.000	
		500,000				
		4,620,000				384,974.00

PPRF At-A-Glance

BOND DEBT SERVICE

$5 million Stand Alone Bond

Period Ending	Principal	Coupon	Interest	Debt Service
06/01/2026	140,000	5.000%	226,645.83	366,645.83
06/01/2027	160,000	5.000%	240,250.00	400,250.00
06/01/2028	165,000	5.000%	232,250.00	397,250.00
06/01/2029	175,000	5.000%	224,000.00	399,000.00
06/01/2030	180,000	5.000%	215,250.00	395,250.00
06/01/2031	190,000	5.000%	206,250.00	396,250.00
06/01/2032	200,000	5.000%	196,750.00	396,750.00
06/01/2033	210,000	5.000%	186,750.00	396,750.00
06/01/2034	220,000	5.000%	176,250.00	396,250.00
06/01/2035	235,000	5.000%	165,250.00	400,250.00
06/01/2036	245,000	5.000%	153,500.00	398,500.00
06/01/2037	255,000	5.000%	141,250.00	396,250.00
06/01/2038	270,000	5.000%	128,500.00	398,500.00
06/01/2039	285,000	5.000%	115,000.00	400,000.00
06/01/2040	295,000	5.000%	100,750.00	395,750.00
06/01/2041	310,000	5.000%	86,000.00	396,000.00
06/01/2042	325,000	5.000%	70,500.00	395,500.00
06/01/2043	345,000	5.000%	54,250.00	399,250.00
06/01/2044	360,000	5.000%	37,000.00	397,000.00
06/01/2045	380,000	5.000%	19,000.00	399,000.00
	4,945,000		2,975,395.83	7,920,395.83

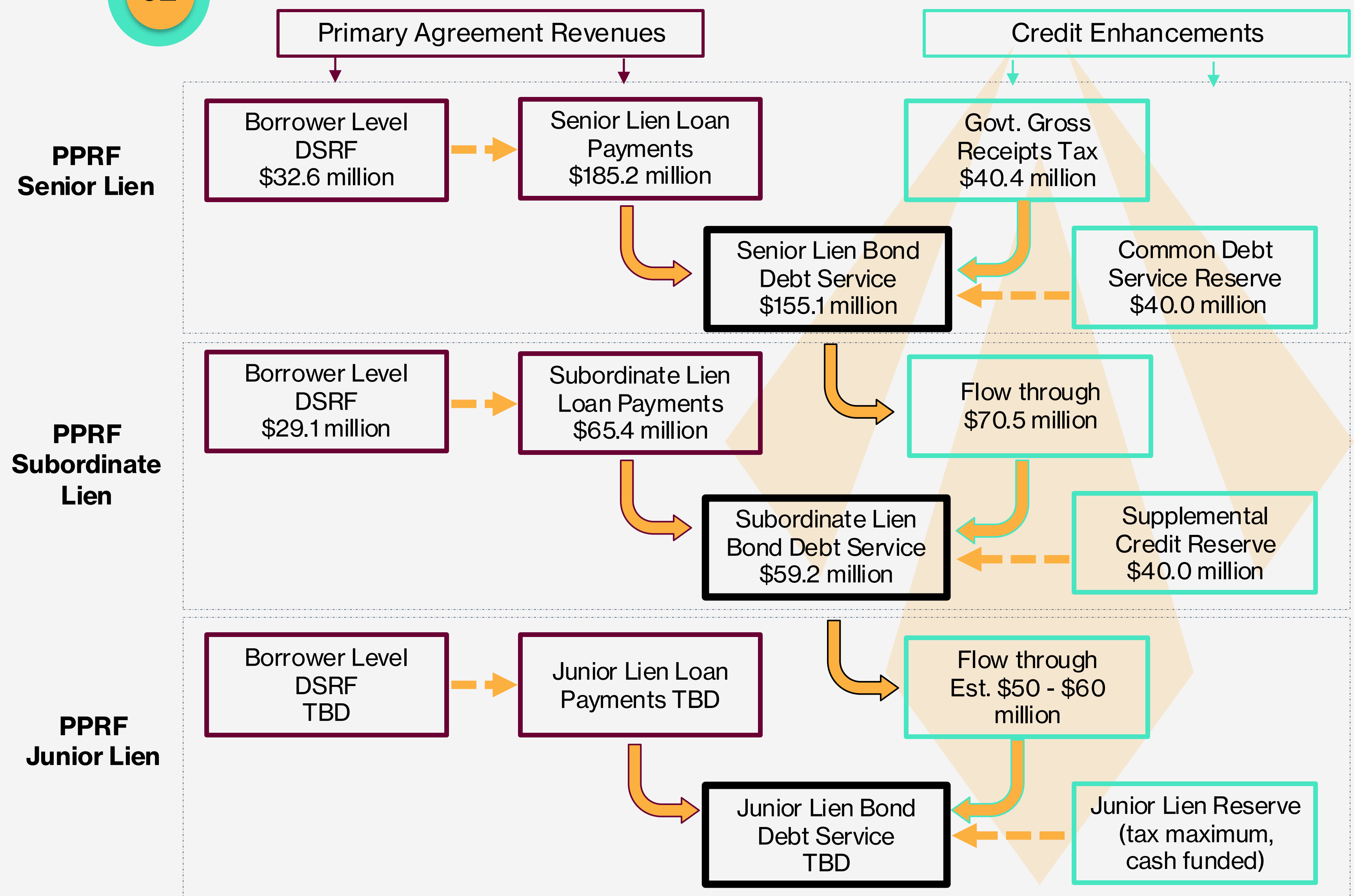
BOND DEBT SERVICE

$5 million loan through the PPRF

Period Ending	Principal	Coupon	Interest	Debt Service
06/01/2026	130,000	5.000%	188,833.33	318,833.33
06/01/2027	145,000	5.000%	199,500.00	344,500.00
06/01/2028	155,000	5.000%	192,250.00	347,250.00
06/01/2029	165,000	5.000%	184,500.00	349,500.00
06/01/2030	170,000	5.000%	176,250.00	346,250.00
06/01/2031	180,000	5.000%	167,750.00	347,750.00
06/01/2032	190,000	5.000%	158,750.00	348,750.00
06/01/2033	200,000	5.000%	149,250.00	349,250.00
06/01/2034	205,000	5.000%	139,250.00	344,250.00
06/01/2035	220,000	5.000%	129,000.00	349,000.00
06/01/2036	230,000	5.000%	118,000.00	348,000.00
06/01/2037	240,000	5.000%	106,500.00	346,500.00
06/01/2038	250,000	5.000%	94,500.00	344,500.00
06/01/2039	265,000	5.000%	82,000.00	347,000.00
06/01/2040	275,000	5.000%	68,750.00	343,750.00
06/01/2041	290,000	5.000%	55,000.00	345,000.00
06/01/2042	305,000	5.000%	40,500.00	345,500.00
06/01/2043	320,000	5.000%	25,250.00	345,250.00
06/01/2044	340,000	** %	9,250.00	349,250.00
06/01/2045	345,000			345,000.00
	4,620,000		2,285,083.33	6,905,083.33

Borrowing through the PPRF saves the NM community $690,312 in interest cost over the life of the loan

PPRF Bond Program



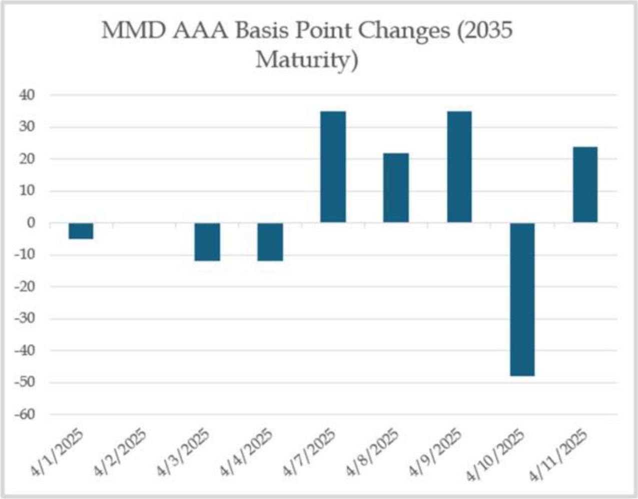
PPRF Bond Program Efficiently Leverages GGRT

Public Securities Issuances Involving Delegation of Authority

- **2024 B Senior Lien Bonds sold October 1, 2024; Closed October 16, 2024**
  - BofA Securities, Lead Manager / Stifel Nicolaus and RBC Capital Markets as Co-Managers
  - **Par amount of $45,315,000**
    - Average Life of 6.776 years
    - True Interest Cost of 3.208%
  - Reimbursed the PPRF $50 million for 26 previously issued loans.
- **2025 A Senior Lien Bonds sold February 11, 2025; Closed February 25, 2025**
  - Stifel Nicolaus, Lead Manager / BofA Securities and JP Morgan as Co-Managers
  - **Total Par amount of $99,210,000 sold in two series:**
  - **2025 A-1 Bonds - par amount of $77.42 million**
    - Average Life of 10.76 years
    - Effective True Interest Cost of 3.89%
    - Sold to provide simultaneous loans to the City of Alamogordo, the University of New Mexico Medical Center, and the Santa Clara Pueblo as well as to reimburse the PPRF for 7 previously issued loans.
  - **2025 A-2 Bonds - par amount of $77.42 million**
    - Average Life of 5.09 years
    - Effective True Interest Cost of 4.55%
    - Sold to accommodate a simultaneous loan to Taos County with a 1-year call option.

Public Securities Issuances Involving Delegation of Authority

- **2025 B Subordinate Lien Bonds sold April 23, 2025; Closed May 19, 2025**
  - Morgan Stanley, Lead Manager / Stifel Nicolaus and J.P. Morgan as Co-Managers
  - **Par amount of $42,685,000**
    - Average Life of 11.15 years
    - True Interest Cost of 4.316%
    - Sold to provide simultaneous loans to the New Mexico State University Alamogordo Branch and the Ohkay Owingeh Pueblo well as to reimburse the PPRF for 5 previously issued loans.
    - NMFA initially intended to issue the 2025 B bonds on a competitive basis on April 16th, but due to the extreme volatility in the capital markets following the announcement of sweeping import tariffs on April 2nd, NMFA opted instead to offer the bonds through a negotiated sale. Sale through negotiation allows an issuer more flexibility in timing when to enter the market.



- The Municipal Market Data index is a daily estimate of the AAA rated municipal yields for bonds maturing from year 1 to year 30.
- Typical daily movements for any given maturity range from 0 to 5 basis points, with movements of 10 basis points unusual.
- In the week prior to the 2025B sale the MMD index was moving up to 50 basis points a day across the 30-year curve.
- Under such unpredictable conditions, the scheduling constraints of a competitive sale were too risky.

Proposed Changes to PPRF Rules

- Rules established by NMFA for programs authorized under the NMFA Act require approval by the New Mexico Finance Authority Oversight Committee and the New Mexico Finance Authority Board.
- PPRF Rules were amended in August 2024 to incorporate the reality of the capital banking environment and to make conforming changes stemming from the passage of 2024'a SB 216
  - Added housing as an explicit Qualified Project
  - Added Non-profit Housing Developer as a Qualified Entity
  - Procedural clean ups
- SB 170 from the 2025 Session made two changes to the PPRF that must now be captured in the Rules
  - Adds rural electric cooperative pursuant to the Rural Electric Cooperative Act as Qualified Entity
  - Provides a three-year suspension of the requirement to receive prior legislative authorization before making a loan of greater than $1 million from the PPRF
- Staff will review the proposed to the Rules today and seek formal approval of the rules at the September Oversight Committee meeting in Deming.

Proposed Changes to PPRF Rules

- In addition to the amendments stemming from SB 17, staff is proposing amendments to:
  - Complete the clean up of items overlooked in August.
  - Conform language in the rules more closely to statuatory language.
    - "Adopt rules" rather than "establish regulations"
  - Eliminate redundancies in the rules themselves.
  - Eliminates unnecessary language.
    - Financial Approval Requirements Section that unnecessarily limits access to the PPRF and duplicates language in policy.
  - Clarify language:
    - For financial assistance to charter schools.
    - That planning and design as a phase of the project is an eligible Public Project.
    - Project feasibility determination is limited to the requirements of the policy.
    - Financial assistance includes purchases of bonds issues by Qualified Entities.
    - To distinguish Financial Assistance and Disadvantaged Funding

Contact Us

New Mexico's partner in building economic prosperity and stronger communities.

New Location !
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