



NEW MEXICO
FINANCE AUTHORITY

NMFA Programs, Structure and Budget

1

**PRESENTATION TO THE
LEGISLATIVE FINANCE COMMITTEE**

**JOHN GASPARICH, INTERIM CEO
OSCAR RODRIGUEZ, CFO**

October 26, 2018

NMFA Board of Directors

2

Katherine Ulibarri - Chair
K. Ulibarri Consulting, LLC

William Fulginiti – Vice Chair
Executive Director
New Mexico Municipal League

Steve Kopelman
Executive Director
New Mexico Association of Counties

Ken McQueen - Secretary
Cabinet Secretary
Energy, Minerals & Natural Resources Department

Duffy Rodriguez
Cabinet Secretary
Department of Finance & Administration

Blake Curtis
CEO
Curtis & Curtis, Inc.

Butch Tongate
Cabinet Secretary
New Mexico Environment Department

Matt Geisel
Cabinet Secretary
New Mexico Economic Development Department

CFO of Institution of Higher Education
(vacant position)

Members of the Public
(2 vacant positions)

Mission Based Financing

3

The NMFA was created to coordinate the planning and financing of state and local public projects. Over the years, NMFA's programs were expanded to include economic development and other community development projects. NMFA's current programs include:

Infrastructure and Capital Equipment Projects

- ❖ Public Project Revolving Fund
- ❖ Local Government Planning Fund
- ❖ Colonias Infrastructure Project Fund

Water

- ❖ Drinking Water State Revolving Loan Fund
- ❖ Water Project Fund

Community Facilities and Economic Development

- ❖ Primary Care Capital Fund
- ❖ Behavioral Health Capital Fund
- ❖ New Markets Tax Credit Program
- ❖ Smart Money Loan Participation Program

Legislatively Authorized Programs

4

FY Year Created in Law	Program Name	Enabling Act	Statute	Sponsor
1992	Public Project Revolving Fund	New Mexico Finance Authority Act	6-21-6.0	Sen. Edward Lopez (SB 172)
1994	Primary Care Capital Fund	Primary Care Capital Funding Act	24-1C-4	Rep. Michael Olguin (HB 702)
1997	Drinking Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund Act	6-21A-4	Rep. Gary King (HB 592)
1999	Water and Wastewater Grant Fund	New Mexico Finance Authority Act	6-21-6.3	Sen. Linda Lopez (SB 662)
2001	Water Project Fund	Water Project Finance Act	72-4A-9	Rep. Joseph Stell (HB 534)
2002	Local Government Planning Fund	New Mexico Finance Authority Act	6-21-6.4	Sen. Pete Campos (SB 40)
2003	Economic Development Revolving Fund (Smart Money)	Statewide Economic Development Finance Act	6-25-1	Sen. Manny Aragon (SB 943)
2003	Child Care Revolving Loan Fund	Child Care Facility Loan Act	24-24-4.0	Sen. Linda Lopez (SB 358)
2004	Acequia Project Fund	Water Project Finance Act	72-4A-9.1	Sen. Carlos Cisneros (SB 87)
2004	Behavioral Health Capital Fund	Behavioral Health Capital Funding Act	6-26-4	Sen. Mary Kay Papen (SB 284)
2005	Energy Efficiency & Renewable Energy Bonding Act	New Mexico Finance Authority Act	6-21D-5	Rep. Mimi Stewart (HB 32)
2005	Local Transportation Infrastructure Fund	New Mexico Finance Authority Act	6-21-6.8	Rep. Dan Silva (HB 979)
2006	New Markets Tax Credit	Statewide Economic Development Finance Act	6-25-6.1	Rep. Patricia Lundstrom (HB 277)
2007	Local Government Transportation Fund	New Mexico Finance Authority Act	6-21-6.12	Rep. Dan Silva (HB 2)
2010	Colonias Infrastructure Project Fund	Colonias Infrastructure Finance Act	6-30-1.0	Sen. Mary Kay Papen (SB 279)
2011	Collateral Support Participation Program	Statewide Economic Development Finance Act	6-25-13	Authority granted under SWEDFA and State Small Business Credit Initiative

Public Project Revolving Fund

5

- ◆ NMFA’s “flagship” program
- ◆ Low-cost financial assistance for capital equipment, building and infrastructure projects
 - ❖ *Standard Rate – Tax-exempt market interest rates (based on PPRF’s AAA/AAA and Aa1/Aa2 bond ratings)*
 - ❖ *Up to \$500,000 of below market interest rate loans for entities with a Median Household Income (“MHI”) less than the State average:*
 - ❖ *0% for Entities with an MHI less than or equal to 80% of the State MHI*
 - ❖ *2% for Entities with an MHI greater 80% but less than 100% of the State MHI*
- ◆ The NMFA annually presents to the Legislature a list of eligible entities seeking project financing authorization which allows NMFA to meet the project timing needs of New Mexico’s communities

Public Project Revolving Fund

6

◆ Qualified entities include:

- ❖ *Local Governments*
- ❖ *State Agencies*
- ❖ *Public Schools*
- ❖ *Volunteer Fire Districts*
- ❖ *Tribal Governments*
- ❖ *Higher Education Institutions*
- ❖ *Special Districts*

◆ NMFA staff work with local officials in the following areas:

- ❖ *Credit and debt capacity analyses*
- ❖ *Loan structuring assistance*
- ❖ *Evaluation of refinancing opportunities*

Public Project Revolving Fund

7

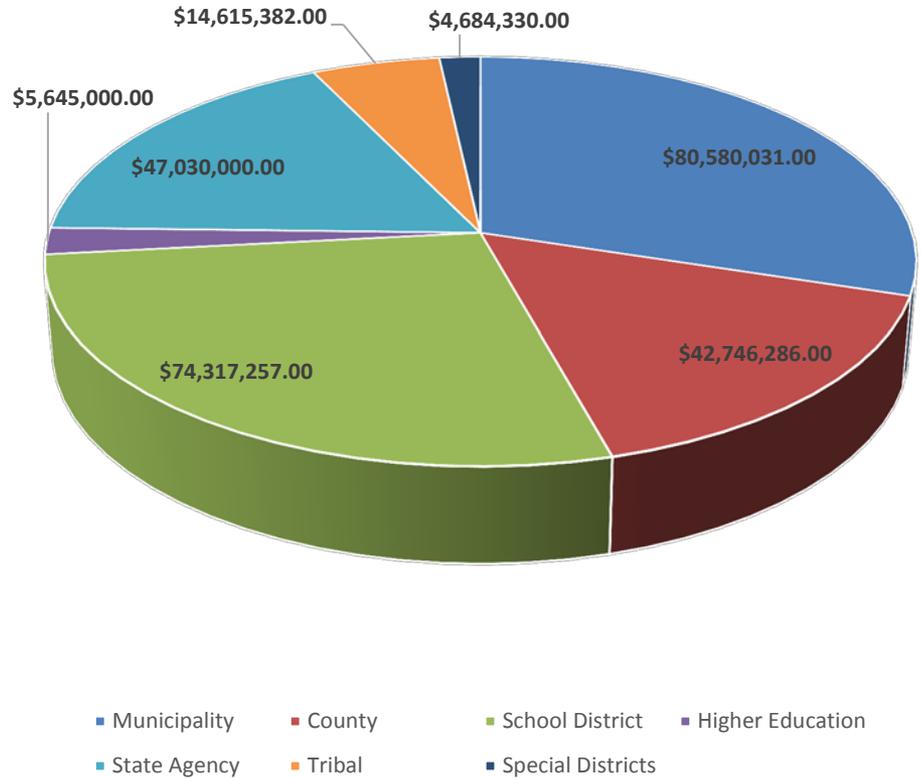
- ◆ **PPRF's high bond ratings are more important now than ever before**
 - ❖ *Municipal bond market changed profoundly over past several years*
 - ❖ *Unprecedented level of scrutiny and oversight by federal regulators*
 - ❖ *Enforcement actions by the SEC and IRS are likely to increase*
 - ❖ *Smallest systems will likely be hit the hardest*
 - ❖ *Recent demand for the PPRF by higher rated issuers anticipating rating downgrades indicates market volatility and flight to quality*
 - ❖ *Borrower's ability to improve ratings with bond insurance is limited*

- ◆ **The indentured Common Debt Service Reserve Fund (Senior Lien) and Supplemental Credit Reserve Fund (Subordinate Lien) are key PPRF program components**
 - ❖ *The CDSRF and SCRF serve as a rating **credit enhancements** for the PPRF*
 - ❖ *The SCRF ensures low cost funding availability for smaller borrowers in times of **market disruption***

Public Project Revolving Fund

◆ PPRF activity by client type since last LFC hearing (10/2017):

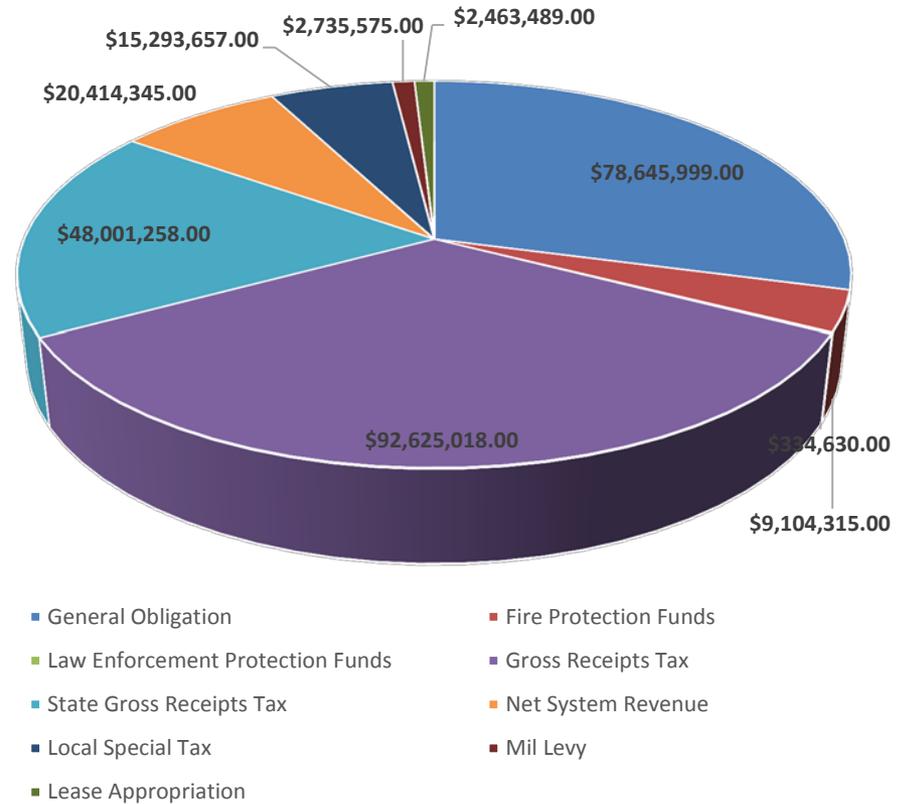
Client Type	# of Loans	% of # Activity	\$ of Loans	% of \$ Activity
Municipality	46	40%	\$80,580,031	30%
County	26	23%	\$42,746,286	16%
School District	32	28%	\$74,317,257	28%
Higher Education	1	1%	\$5,645,000	2%
State Agency	3	3%	\$47,030,000	17%
Tribal	3	3%	\$14,615,382	5%
Special District	4	3%	\$4,684,330	2%
Total	115		\$269,618,286	



Public Project Revolving Fund

◆ PPRF activity by revenue type since last LFC hearing (10/2017):

Revenue Type	# of Loans	% of # Activity	\$ of Loans	% of \$ Activity
General Obligation	36	31%	\$78,645,999	29%
Fire Protection Funds	27	23%	\$9,104,315	3%
Law Enforcement	4	3%	\$334,630	0%
Gross Receipts Tax	23	20%	\$92,625,018	34%
State GRT	4	3%	\$48,001,258	18%
Net System Revenue	12	10%	\$20,414,345	8%
Local Special Tax	7	6%	\$15,293,657	6%
Mil Levy	1	1%	\$2,735,575	1%
Lease Appropriation	1	1%	\$2,463,489	1%
Total	115		\$269,618,286	



Public Project Revolving Fund

10

◆ Notable PPRF loans made since last LFC hearing (10/2017):

Client	Project	Amount	Closing Date
Eastern New Mexico University	Campus Facility Energy Efficiency Improvements	\$5,645,000	11/17/2017
City of Farmington	GRT Advance Refunding Bonds	\$7,420,000	12/29/2017
Santa Clara Pueblo	Water System Improvements	\$3,673,261	1/26/2017
City of Farmington	Quality of Life & Capital Improvement Projects	\$16,600,000	3/7/2018
General Services Department	State Building Bond Refunding	\$28,480,000	6/1/2018
General Services Department	State Building Bonds – CYFD Facility Acquisition and Improvements	\$18,550,000	6/1/2018
Acoma Pueblo	Electric Utility Acquisition	\$5,188,531	6/29/2018
Taos County	Educational GRT Bonds for School District Improvements	\$7,775,000	8/10/2018
Mora County	County Courthouse Improvements for AOC	\$2,463,489	9/21/2018
Santa Ana Hospitality Corp/Santa Ana Pueblo	Tamaya Resort Renovations and Improvements	\$5,753,590	9/28/2018

Local Government Planning Fund

11

- ◆ Provides upfront capital to allow for proper planning of vital infrastructure project
- ◆ Program broadened twice
 - ❖ *2005: Water Conservation & Economic Development plans*
 - ❖ *2012: All Infrastructure plans, including Solid Waste, Asset Management and Metropolitan Redevelopment Districts*

PLANNING DOCUMENT TYPE	CLOSED		PENDING	
Preliminary Engineering Report	\$ 6,002,768.21	154	\$ 959,800.00	20
Master Plan	\$ 975,512.94	32	\$ 325,000.00	7
Local Economic Development Plan	\$ 1,539,745.17	37	\$ 100,000.00	2
Asset Management Plan	\$ 1,045,154.54	29		
Metropolitan Redevelopment Plan	\$ 496,616.89	10	\$ 100,000.00	2
Economic Development Feasibility Study	\$ 264,384.09	7	\$ 100,000.00	2
Environmental Information Document	\$ 206,317.20	6	\$ 200,000.00	5
Water Conservation Plan	\$ 266,967.11	7		
TOTAL	\$ 10,797,466.15	282	\$ 1,784,800.00	38

Colonias Infrastructure Project Fund

12

- ◆ Provides capital to infrastructure projects in designated Colonia communities. Receives an annual earmark totaling 4.5% of the Senior Severance Tax Bonds
- ◆ Overseen by the Colonias Infrastructure Board which is administered by the NMFA
- ◆ To date, the Colonias Board has made 181 awards totaling approximately \$84 million and has leveraged an additional \$46.7 million in federal funds
- ◆ The 181 projects awarded to date have benefited 136 designated Colonias
- ◆ Project completion rate has increased dramatically over past several years; currently 70% of all awarded projects are complete

Drinking Water State Revolving Loan Fund

13

- ◆ Low-cost financial assistance for construction and improvements to drinking water facilities
- ◆ State Revolving Loan Fund capitalized by:
 - ❖ *\$197.8 million in federal awards*
 - ❖ *\$36.6 million in state match*
- ◆ NMFA and the New Mexico Environment Department (NMED) administration of the program in partnership. NMED quarterly publishes a Fundable Priority List, and NMFA accepts applications from the list in the order in which they are given
- ◆ To date, NMFA has made 129 loans totaling more than 196 million with an additional 19 loans totaling \$19.8 million pending

Water Project Fund

14

- ◆ Funded from an annual distribution from the Water Trust Fund and 9% of Senior Severance Tax Bonds (STB).
- ◆ Provides grants and low-cost loans for five types of water projects:
 1. *Water storage, conveyance and delivery projects;*
 2. *Water conservation or treatment, recycling, or reuse projects;*
 3. *Watershed restoration and management projects;*
 4. *Flood prevention projects;*
 5. *Endangered Species Act (ESA) collaborative projects*
- ◆ NMFA makes grants and loans for projects recommended by the 16-member Water Trust Board and authorized by Legislature
- ◆ To date, \$381.2 million has been awarded to 141 entities statewide; and overall 91% of the awarded funds have been drawn
- ◆ To date, two large regional projects have received approximately 20% of the funds

Eastern New Mexico Water Utility Authority

15



The project will address water shortage resulting from declining Ogallala groundwater by providing a sustainable surface water supply

Water Trust Board has provided \$39.4 million to this project through 14 awards (approximately 11% of the funds have been provided as loans and 89% as grants)

10 of the 14 awards have been fully drawn; approximately 20% of the funds remain undrawn

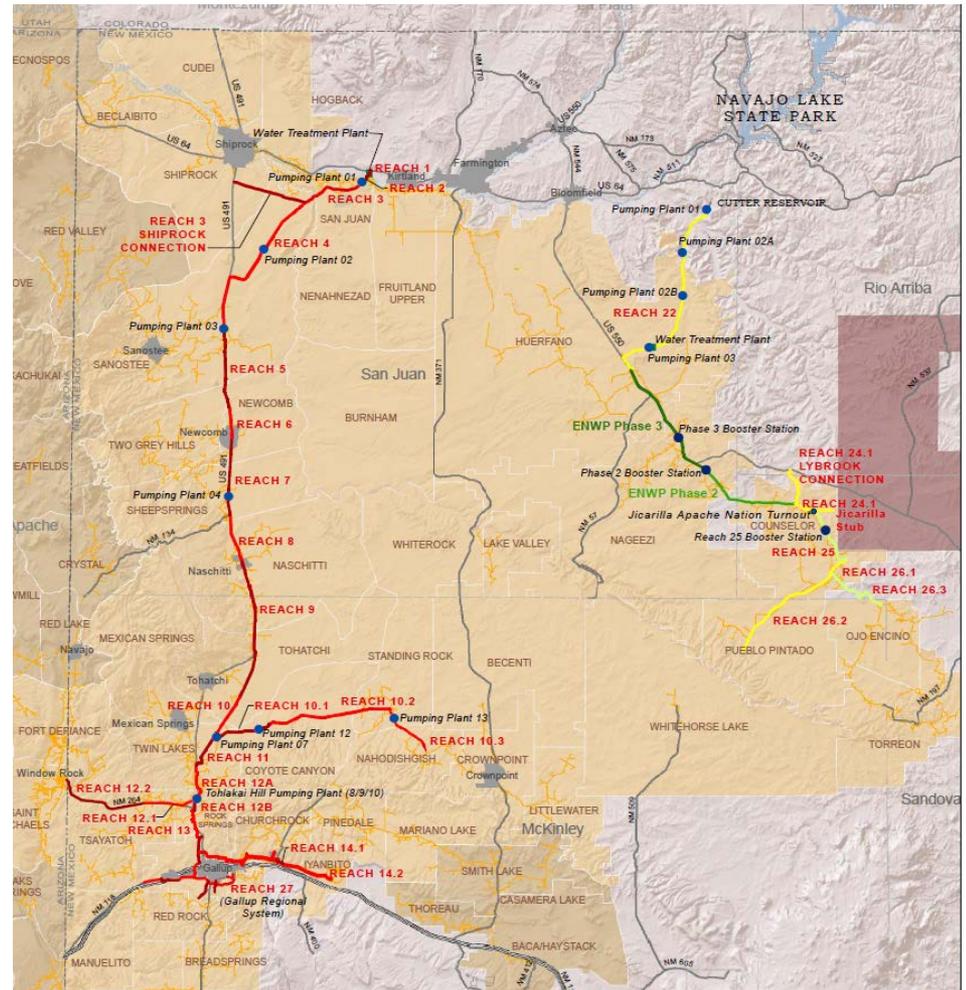
Navajo Gallup Water Supply Project

16

The project will provide long-term supply, treatment, and transmission of water to the Navajo Nation, the Jicarilla Apache Nation, and the city of Gallup for current and future populations

Water Trust Board has provided \$33.1 million to this project through 11 awards (approximately 23% of the funds has been provided as loans and 77% as grants)

10 of the 11 awards have been fully drawn; approximately 7.5% of the funds remain undrawn



Primary Care Capital Fund

17

- ◆ NMFA and Department of Health jointly administer the program
- ◆ Funds directed to non-profit primary care clinics in rural and medically underserved communities. NMFA Oversight Committee considering legislation that would broaden the use of this program to clinics owned by public entities
- ◆ These are 3% interest rate loans:
 - ❖ *Equipment - 10 year terms*
 - ❖ *Land & Buildings – up to 20 year terms*
- ◆ Up to 20% of annual principal and interest is forgiven in exchange for services rendered to indigent patients
- ◆ Initially capitalized by a \$5 million General Fund appropriation. To date, NMFA has made 19 loans totaling more than \$11.5 million

Behavioral Health Capital Fund

18

- ◆ Similar to Primary Care Capital Fund
- ◆ Jointly operated by NMFA and Human Services Department
- ◆ Finance capital needs of small non-profit behavioral health clinics with assets of \$10 million or less. NMFA Oversight Committee is considering endorsement of broadening the program to lift the asset size of the non-profits eligible to participate and by allowing clinics owned by public bodies to qualify for financing
- ◆ Funds directed to clinics in rural and medically underserved communities
- ◆ SB 52 from 2005 Legislature authorized NMFA to capitalize fund with \$2.5 million from Cigarette Tax Revenue Bonds

Statewide Economic Development Finance Act

- ◆ Statewide Economic Development Finance Act (“SWEDFA”) was established in 2003 to help stimulate the economy by creating financing tools that put New Mexico on par with neighboring states
- ◆ The Economic Development Revolving Fund (“EDRF”) is the Fund created under SWEDFA from which NMFA buys loan participations
- ◆ SWEDFA requires that any project funded from the EDRF must receive legislative authorization prior to the NMFA financing the project. This provision was temporarily suspended in 2011; the suspension will sunset June 30, 2019. The NMFA Oversight Committee is considering endorsement of a sunset extension

Economic Development Revolving Fund

20

- ◆ EDRF is segregated into two sub-accounts that account separately for State and Federal funds
- ◆ NMFA operated the Smart Money Loan Participation Program with \$5.1 million in net State General Fund Appropriations
- ◆ Smart Money provides long-term, low cost financing to businesses located predominantly in rural New Mexico. In Smart Money, NMFA shares equally in the collateral available to a bank
- ◆ Through an MOU with NMEDD, NMFA operated from 2011-2018 a federally funded program marketed as Collateral Support Participation. Approximately 20 businesses were funded using \$8.2 million State Small Business Credit Initiative funding. The State completed its reporting in March 2017 and NMEDD has requested the return of these funds

New Markets Tax Credits

21

- ◆ New Markets Tax Credit (NMTC) is a federal program that provides a 39% federal tax credit for investors that invest in low-income communities. The tax credits are awarded by US Dept. of Treasury to Community Development Entities (CDEs) on a competitive basis
- ◆ In 2006, SWEDFA was amended to explicitly allow NMFA to participate in NMTCs by HB 277 (Rep. Lundstrom). NMFA partnered with NM Community Capital to form Finance New Mexico, LLC, a certified CDE
- ◆ The program uses an Advisory Board composed of community leaders from across the state to ensure investments benefit low income persons
- ◆ Investments may only occur in federally designated low-income census tracts
- ◆ Finance New Mexico has received four allocations of federal NMTCs totaling \$246 million; all of the allocation has been committed. An application for additional allocation was filed in June 2018 and an answer is expected in Winter 2019

CDEC Broadband Project

Where: Grants, NM

Project: Broadband Infrastructure

Source of Leverage: CDEC LL

Project Description:

Development and installation of Phase 1 of a local area broadband service within the City of Grants and the surrounding area. As part of this project, CDEC will install a Smart Grid system that will allow for the symmetrical services offerings of improved electricity service along with the broadband implementation.



Community Benefit: Currently, residents and owners of approximately 24,000 homes and business in Grants and the surrounding area have no broadband internet option and rely on satellite internet, the speed of which depends on several factors including the provider, service package purchased, the consumer's line of sight to the orbiting satellite, and the weather. This project will provide an affordable, reliable internet option for these homes and businesses.

\$10 million in NMTC Allocation

Loans Receivable by Program

23

	Projects Closed FY17		Projects Closed FY18	
PPRF	323,167,993	96	240,744,966	132
Planning Grants	1,710,485	40	2,033,155	50
Colonias	12,309,441	14	5,166,844	12
Drinking Water	11,860,164	13	11,789,905	12
Water Project Fund	12,645,661	21	4,415,442	3
New Markets Tax Credits	19,404,000	3	47,000,000	4
Total	\$ 381,097,744	187	\$ 311,150,312	213

NMFA 2017 and 2018 Budget

24

	<u>Actual FY 2017</u>	<u>Approved FY 2018</u>	<u>Proposed FY 2019</u>
Revenues			
Appropriation Revenue	\$34,578,969	\$40,049,900	\$38,100,000
Interest Income from Loans	47,865,124	49,125,939	50,600,000
Interest income from Investments	944,093	1,575,900	1,190,000
Administration fee revenue	3,898,020	3,396,631	3,488,000
Grant Revenue	53,454,414	50,959,995	44,338,400
GRIP Reimbursements	270,993	300,769	303,826
Total Revenues	<u>141,011,613</u>	<u>145,409,134</u>	<u>138,020,226</u>
Operating Expenses			
Personnel Expenditures	4,634,071	4,865,094	4,887,233
In State Travel	48,321	99,463	91,921
Out of State Travel	16,456	48,741	54,400
Office Supplies	22,397	36,816	39,350
Contractual Services	2,964,115	2,792,090	3,147,871
Operating Costs	1,004,879	1,135,228	1,120,596
Total Operating Expenses	<u>8,690,240</u>	<u>8,977,432</u>	<u>9,341,371</u>
Nonoperating Expenses			
Bond Interest Expense, Net	51,484,470	56,000,000	47,000,000
Bond Issuance Expense	2,847,995	2,000,000	2,000,000
Loan refinancing pass-through	17,476,331	-	7,000,000
Grant Expense	50,764,603	51,034,995	37,550,000
Other Expense	84,078	85,089	80,000
Pass-through GRIP	270,993	300,769	303,826
Capital Expenditures			75,000
Total Non-operating Expenses	<u>\$122,928,470</u>	<u>\$109,420,853</u>	<u>\$ 94,008,826</u>
Total Expenses	<u>\$131,618,711</u>	<u>\$118,398,285</u>	<u>\$103,350,197</u>
Revenue Over Expenses	<u>\$9,392,902</u>	<u>\$27,010,849</u>	<u>\$34,670,030</u>

NMFA Operating Budget by Program

25

	Total Budget	Drinking Water	Water Trust Board	PPRF	Colonias (CIF)	Planning Grants	Dept of Transp.	Tax Credits	Primary Care	Behavioral	Smart Money	SSBCI
	Proposed		(WTB)				(GRIP)	(NMTC)		Health		
REVENUE												
Appropriation	38,100,000	1,800,000	4,000,000	32,300,000								
Interest - Loans	50,600,000	1,182,701		49,170,491					110,834	45,974		90,000
Interest - Investments	1,190,000	282,214		779,777		22,468		277	7,106	85,860	9,898	2,400
Administrative/Processing Fees	3,488,000	442,000	79,000	1,902,000				1,065,000				
Grant (Reimbursement) Revenue ¹	44,338,400	11,438,400	17,400,000		13,500,000	2,000,000						
Pass Through - GRIP	303,826						303,826					
Total Revenue	138,020,226	15,145,315	21,479,000	84,152,268	13,500,000	2,022,468	303,826	1,065,277	117,940	131,834	9,898	92,400
EXPENDITURES												
Operating Expenses												
Personnel	4,887,233	450,113	463,320	2,690,637	304,146	313,480		495,405	39,425	27,937	30,168	72,603
Contracted Services	3,147,871	280,004	392,086	1,725,379	293,623	95,448		122,480	4,819	4,819	205,783	23,430
Operating Expenditures	1,306,267	120,245	123,696	719,433	81,227	83,666		132,372	10,595	7,594	8,176	19,263
Total Operating Expenses	9,341,371	850,362	979,102	5,135,449	678,996	492,594	-	750,257	54,839	40,350	244,127	115,296
Non-operating Expenses												
Bond Interest Expense	47,000,000			47,000,000								
Bond Issuance Expense	2,000,000			2,000,000								
Loan Re-financing Pass-Through	7,000,000			7,000,000								
Grant Expense	37,550,000	7,214,000	16,186,000		12,150,000	2,000,000						
Other Expense	80,000								64,000	16,000		
Pass Through - GRIP	303,826						303,826					
Capital Expenditures	75,000	4,551	5,232	27,495	3,627	2,639		23,008	2,318	1,057	1,298	3,775
Total Non-Operating Expenses	94,008,826	7,218,551	16,191,232	56,027,495	12,153,627	2,002,639	303,826	23,008	66,318	17,057	1,298	3,775
TOTAL EXPENDITURES	103,350,197	8,068,912	17,170,334	61,162,943	12,832,623	2,495,233	303,826	773,265	121,157	57,407	245,425	119,071