

NEW MEXICO
FINANCE AUTHORITY

**Presentation to
Legislative Finance
Committee**



Update on the New Mexico Finance Authority

Marquita D. Russel, CEO

September 22, 2021

- ◆ Created in 1992 as a governmental instrumentality to improve the planning and financing of state and local government public projects
- ◆ Broad-based finance agency that finances public infrastructure and community and economic development projects.
 - NMFA's mission is to advance New Mexico by financing impactful, well-planned projects
 - NMFA's vision is to be New Mexico's partner in building economic prosperity and stronger communities
- ◆ Governed by an 11-member Board of Directors
- ◆ Overseen by a 39-member Legislative Oversight Committee

- **Katherine Miller, *Chair***
Santa Fe County
- **Steve Kopelman, *Vice Chair***
New Mexico Counties
- **Andrew Burke**
New Mexico State University
- **Sarah Cottrell Propst**
Energy, Minerals and Natural Resources
- **AJ Forte**
New Mexico Municipal League
- **James Kenney**
NM Environment Department
- **Alicia Keys**
NM Economic Development Department
- **Debbie Romero**
NM Department of Finance & Administration
- **Martin Suazo**
- **Two vacancies**

- ◆ Board meets monthly to approve projects and oversee operations
- ◆ Active Committee process provides high level of oversight of NMFA's diverse and complex operations:
 - Executive Committee
 - Finance & Disclosure Committee
 - Audit Committee
 - Public Lending Committee
 - Economic Development Committee

Funding Programs

Active?	FY	Program Name	Enabling Act	Statute
✓	1992	Public Project Revolving Fund	New Mexico Finance Authority Act	6-21-6.0
✓	1994	Primary Care Capital Fund	Primary Care Capital Funding Act	24-1C-4
✓	1997	Drinking Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund Act	6-21A-4
	1999	Water and Wastewater Grant Fund	New Mexico Finance Authority Act	6-21-6.3
✓	2001	Water Project Fund	Water Project Finance Act	72-4A-9
✓	2002	Local Government Planning Fund	New Mexico Finance Authority Act	6-21-6.4
✓	2003	Economic Development Revolving Fund (Smart Money)	Statewide Economic Development Finance Act	6-25-6.1
	2003	Child Care Revolving Loan Fund	Child Care Facility Loan Act	24-24-4.0
	2004	Acequia Project Fund	Water Project Finance Act	72-4A-9.1
✓	2004	Behavioral Health Capital Fund	Behavioral Health Capital Funding Act	6-26-4
	2005	Energy Efficiency & Renewable Energy Bonding Act	New Mexico Finance Authority Act	6-21D-5
	2005	Local Transportation Infrastructure Fund	New Mexico Finance Authority Act	6-21-6.8
✓	2006	New Markets Tax Credit	Statewide Economic Development Finance Act	6-25-6.1
	2007	Local Government Transportation Fund	New Mexico Finance Authority Act	6-21-6.12
✓	2010	Colonias Infrastructure Project Fund	Colonias Infrastructure Finance Act	6-30-1.0
✓	2011	Collateral Support Participation Program	Statewide Economic Development Finance Act	6-25-13
✓	2021	Essential Services Working Capital Program	Statewide Economic Development Finance Act	6-25-13
✓	2021	New Markets Tax Credit Small Loan Pool	Statewide Economic Development Finance Act	6-21-6.12
✓	2021	Small Business Recovery Loan Fund	Small Business Recovery and Stimulus Act	6-32-1
✓	2021	New Mexico LEDA Recovery Grants	Local Economic Development Act	5-10-16

- ◆ The Public Project Revolving Fund (“PPRF”) is NMFA’s flagship program. PPRF makes low-cost loans to State, local and Tribal governments to finance public infrastructure and equipment
 - Borrowers receive the PPRF’s *AAA interest rates* regardless of the borrower’s credit or size
 - No applications fee, no administrative fees, no closing costs
- ◆ GGRT, of which the PPRF receives a 75% share, is the primary credit enhancement for the PPRF program and provides critical liquidity
- ◆ PPRF loans are made from cash in the Fund which is replenished through periodic issuances of municipal reimbursement bonds
 - PPRF senior and subordinate liens each have an indentured reserve fund that provides additional credit enhancement to bondholders
- ◆ PPRF has \$100 million Wells Fargo LOC to fund loans between bonds. LOC is secured by loans and repaid from bond proceeds

- ◆ PPRF is a top-rated issuer:
 - Senior Lien: S&P: AAA and Moody's: Aa1
 - Subordinate Lien: S&P: AAA and Moody's: Aa2
- ◆ High Ratings due to:
 - Strong management and conservative underwriting practices
 - Diverse borrowing base and revenue pledges
 - Governmental Gross Receipts Tax enhancement
 - High coverage in both senior and subordinate liens
- ◆ Key metrics in a successful bonding program
 - Investor reception measured by repeat buyers and bond subscription
 - Absolute True Interest Cost (TIC)
 - Yield Spreads over MMD's AAA TIC municipal bond pricing index

- ◆ PPRF Series 2021 A (Sold February 18, 2021; closed March 4, 2021)
 - ❑ \$39,535,000 Par Amount of Bonds that netted \$48,423,578 in proceeds
 - ❑ True Interest Cost of **1.5%**

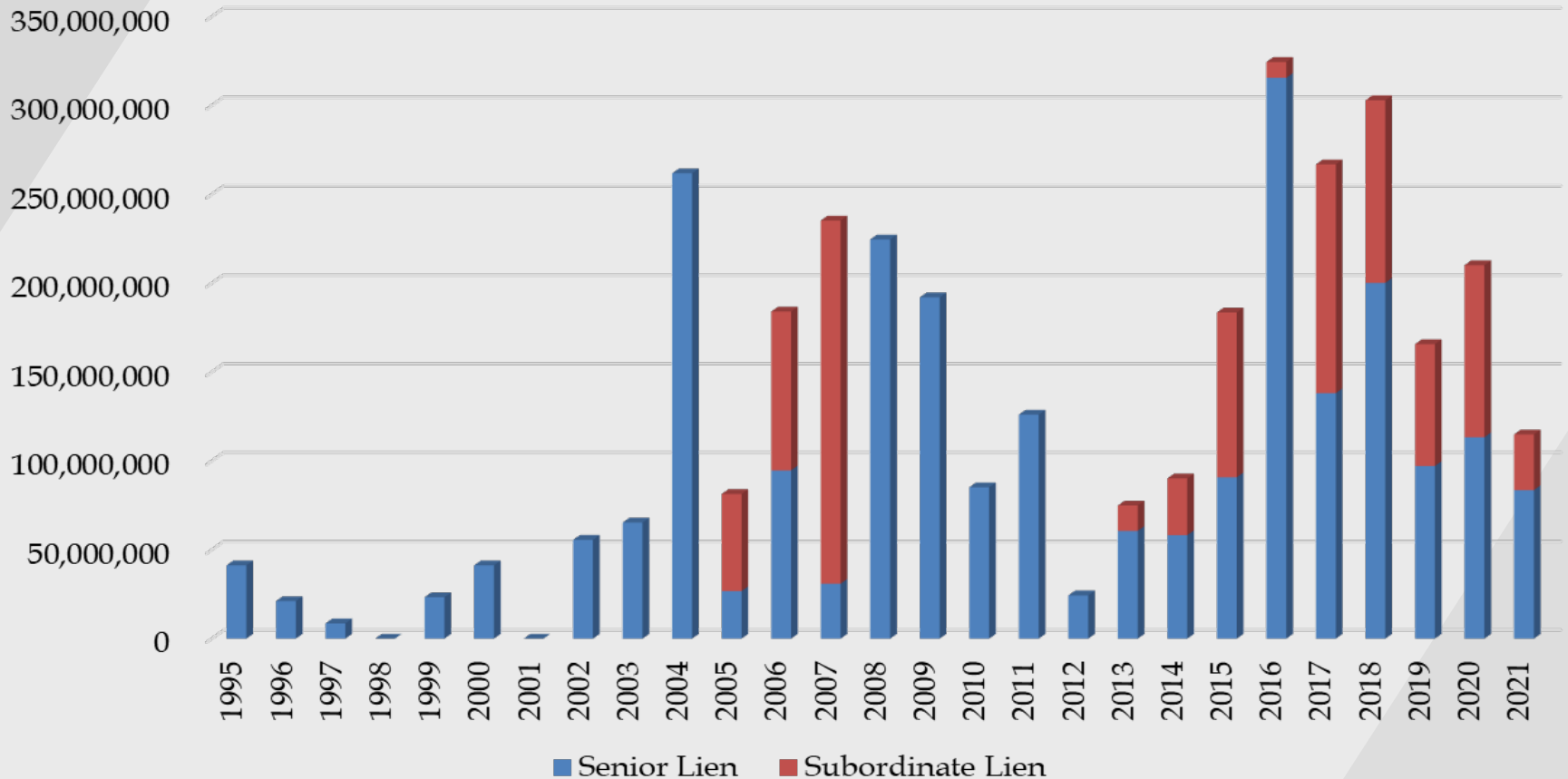
- ◆ PPRF Series 2021 B (Sold June 9, 2021; closed June 30, 2021)
 - ❑ \$31,305,000 Par Amount of Bonds that netted \$39,186,338 in proceeds
 - ❑ True Interest Cost of **.85%**

- ◆ PPRF Series 2021 C (Sold August 18; closed August 31, 2021)
 - ❑ \$43,610,000 Par Amount of Bonds that netted \$55,351,716 in proceeds, including \$29,129,000 in project funds for UNM Cancer Center
 - ❑ True Interest Cost of **1.33%**

- ◆ NMDOT Series 2021 A (Sold July 27; closed August 11, 2021)
 - ❑ \$234,600,000 Par Amount of Bonds that netted \$303,896,420 in proceeds
 - ❑ True Interest Cost of **.79%**

Bond Issuance History

Par Amount of PPRF Bonds Issued by Year
(Includes 2021C Bonds)



- ◆ In addition to low ‘AAA’ interest rates, clients with Median Household Incomes (“MHI”) below the State’s MHI may receive Disadvantaged Entity Funding:
 - ❑ A fixed 2% interest rate may be provided when the client’s MHI is between 80% -100% of the State’s MHI
 - ❑ A fixed 0% interest rate may be provided when client’s MHI is less than 80% of the State’s MHI
 - ❑ Equipment loans may receive up to \$150,000 in disadvantaged funds
 - ❑ Infrastructure and building loans may receive 10% of the PPRF loan in disadvantaged funding, up to \$500,000
 - ❑ Clients are limited to receiving no more than \$500,000 per FY
 - ❑ Disadvantaging funding is not provided for loans in excess of \$5 million or for refunding loans

◆ FY2021 Results:

- ❑ Debt service payments from borrowers received as expected
- ❑ NMFA has not seen an appreciable decline in client draws
- ❑ Improved activity statements for clients
- ❑ New NMFA and Investor websites: www.nmfinance.com, www.nmbondfinance.com and www.nmdotbonds.com
- ❑ Implemented three-pronged identification/fraud mitigation technologies for recovery programs
- ❑ Completed years long initiative to migrate servicing of loans from outdated system to comprehensive loan servicing software which tracks projects from client application to booking into the general ledger system

- ◆ Since FY 2020, NMFA has presented its annual audit as a Comprehensive Annual Financial Report (“CAFR”)
 - Audits have been submitted to the State Auditor on time or early
 - Received a *Certificate of Achievement for Excellence in Financial Reporting* from GFOA in both FY 2020 and FY 2021
- ◆ The FY2022 CAFR: initial schedule provided for an early submittal to the State Auditor
 - Field work is on track, but updated federal compliance auditing standards for the Single Audit Act are not anticipated to be promulgated until late fall
 - NMFA was slated to hold its Exit Conference with the external auditors at the September 30 Board Meeting (in Executive Session), however this cannot happen until the Federal Single Audit is completed

Project Impact

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	FY 2018	FY 2019	FY 2020	FY 2021
Programs for Public Entities				
Public Project Revolving Fund	\$ 240,740,847	\$ 292,065,615	\$ 300,371,255	\$ 249,893,547
Drinking Water State Revolving Loan Fund	\$ 11,789,905	\$ 19,308,157	\$ 8,116,040	\$ 38,423,929
Water Trust Board	\$ 4,415,442	\$ 17,305,000	\$ 22,734,559	\$ 33,086,115
Colonias Infrastructure Board	\$ 4,479,976	\$ 9,519,823	\$ 14,671,481	\$ 19,482,093
Local Government Planning Fund	\$ 2,033,155	\$ 1,787,967	\$ 349,395	\$ 915,000
<i>Public Financing Programs</i>	\$ 263,459,325	\$ 339,986,561	\$ 346,242,730	\$ 341,800,684
Programs for Private Entities				
New Markets Tax Credit	\$ 15,000,000	\$ 47,000,000	\$ 5,500,000	\$ 32,000,000
NMTC Small Loan Pool	n/a	n/a	\$ 5,067,500	\$ 692,500
Primary Care/Behavior Health Capital Fund	\$ -	\$ 1,600,000	\$ -	\$ 250,000
Smart Money Loan Participation	\$ -	\$ -	\$ 751,431	\$ 1,200,000
Essential Services Working Capital Program	\$ -	\$ -	\$ -	\$ 5,434,850
<i>Private Financing Programs</i>	\$ 15,000,000	\$ 48,600,000	\$ 11,318,931	\$ 39,577,350
Total	\$ 278,459,325	\$ 388,586,561	\$ 357,561,661	\$ 381,378,034

Does not include recovery programs

Project Impact

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Project Type	FY 2020			FY 2021		
	Public Entites	Private Entites	Total	Public Entites	Private Entites	Total
Economic Development	\$ -	\$ 6,411,141	\$ 6,411,141	\$ 9,620,221	\$ 34,669,550	\$ 44,289,771
Education	\$ 113,529,430	\$ 875,000	\$ 114,404,430	\$ 96,007,471	\$ 875,000	\$ 96,882,471
Energy Efficiency	\$ 31,637,987	\$ -	\$ 31,637,987	\$ 9,401,159	\$ -	\$ 9,401,159
Healthcare	\$ 5,285,000	\$ 4,032,800	\$ 9,317,800	\$ 1,182,350	\$ 4,032,800	\$ 5,215,150
Other	\$ 5,431,500	\$ -	\$ 5,431,500	\$ -	\$ -	\$ -
Public Safety	\$ 21,116,331	\$ -	\$ 21,116,331	\$ 11,743,710	\$ -	\$ 11,743,710
Public Works	\$ 26,792,125	\$ -	\$ 26,792,125	\$ 20,573,185	\$ -	\$ 20,573,185
Refunding	\$ 67,874,404	\$ -	\$ 67,874,404	\$ 85,342,967	\$ -	\$ 85,342,967
Transportation	\$ 21,997,694	\$ -	\$ 21,997,694	\$ 12,107,984	\$ -	\$ 12,107,984
Utility	\$ 2,984,382	\$ -	\$ 2,984,382	\$ -	\$ -	\$ -
Wastewater	\$ 4,795,312	\$ -	\$ 4,795,312	\$ 9,486,419	\$ -	\$ 9,486,419
Water	\$ 44,798,565	\$ -	\$ 44,798,565	\$ 86,335,218	\$ -	\$ 86,335,218
Total Financing	\$ 346,242,730	\$ 11,318,941	\$ 357,561,671	\$ 341,800,684	\$ 39,577,350	\$ 381,378,034

Does not include recovery programs

Recovery Programs

- ◆ Created \$12 million Essential Services Working Capital Program
 - Critical operating fund loans for businesses and non-profits helping New Mexicans through the public health order: medical, behavioral health, dental, PPE providers, childcare providers, etc.
- ◆ Small Business Recovery and Stimulus Act
 - Created \$500 million Small Business Recovery Loan Fund to NM small businesses with net assets of less than \$5 million
- ◆ New Mexico CARES Relief Grants
 - \$100 million directed to small businesses
- ◆ New Mexico LEDA Recovery Grants
 - \$200 million in grants for rent, lease or mortgage payments for businesses with less than 75 employees that are reinstating jobs

Recovery Programs

- ◆ Created \$12 million Essential Services Working Capital Program
 - Critical operating fund loans for businesses and non-profits helping New Mexicans through the public health order: medical, behavioral health, dental, PPE providers, childcare providers, etc.
 - Funded 16 loans totaling \$5,434,850, with a current balance of \$3,214,521

- ◆ New Mexico CARES Relief Grants
 - \$100 million directed to small businesses
 - More than 15,000 applications received
 - Funded 6,737 awards at an average award of \$15,000
 - Approximately 60% of the awards went to businesses in Bernalillo, Dona Ana, Sandoval and Santa Fe Counties; 40% for the funding requests have come from businesses in rural communities

◆ Small Business Recovery and Stimulus Act

- Created \$500 million Small Business Recovery Loan Fund to NM small businesses with net assets of less than \$5 million
- As of September 15th:

Application Status	No	Final Loan
SBRLF 1.0 Final	880	\$ 42,032,663
SBRLF 2.0 Funded	784	<u>\$ 51,571,194</u>
Total SBRLF Outlay		\$ 93,603,857
Approved (various stages of closing)	255	\$ 22,191,666
Total Funded and Approved	1919	\$ 115,795,513

- ◆ Small Business Recovery and Stimulus Act
 - Created \$500 million Small Business Recovery Loan Fund to NM small businesses with net assets of less than \$5 million
- ◆ New Mexico LEDA Recovery Grants
 - \$200 million in grants for rent, lease or mortgage payments for businesses with less than 75 employees
 - Applications open from May 11 through December 31st in rounds
 - Approximately 67% of the funding requests have come from businesses in Bernalillo, Dona Ana, Sandoval and Santa Fe Counties; 33% for the funding requests have come from businesses in rural communities
 - Program is undersubscribed. As of September 15th, approximately 800 loans have been approved and funded totaling approximately \$40 million; with 376 pending totaling \$18 million. 17% decline rate.

Staff Structure

- ◆ Staff structure was reorganized in January 2020 to align business processes around function rather than programs
 - ❑ New alignment is focused on lending, monitoring and compliance
 - ❑ Created Client Services Dept - primary client contact for closing, funding requisitions, activity statement questions, pay-offs, etc.
 - ❑ Blended legal and compliance departments to ensure a more forward-looking compliance and ethics program

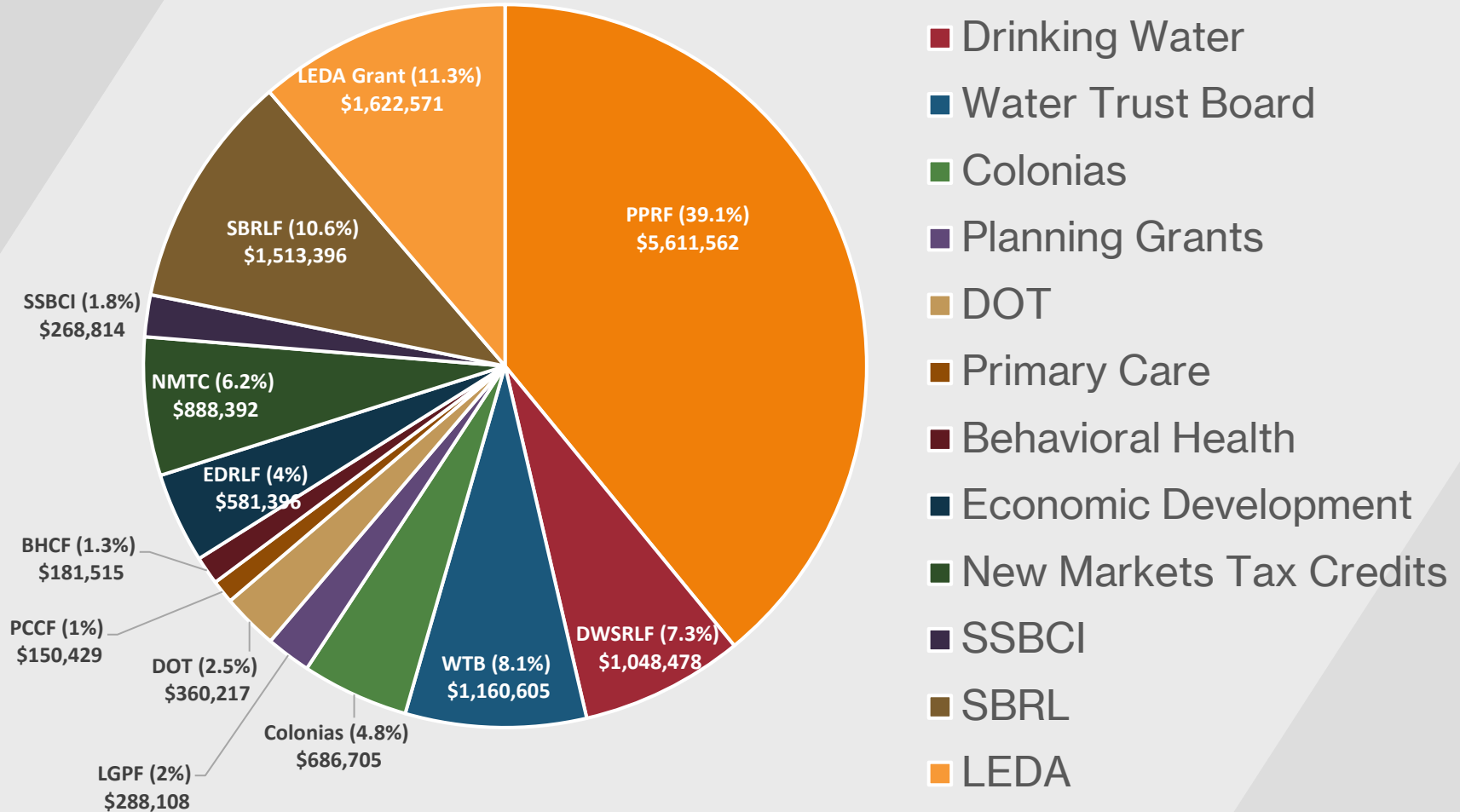
- ◆ The Recovery and Stimulus programs as well as growth in established programs prompted additional modifications to the organization chart
 - ❑ Created Stimulus and Recovery Application Team
 - ❑ Blended public and private lending groups; created separate Credit Administration Team (analysis support, monitoring, asset management)
 - ❑ Elevated IT to a department, Chief Technology Officer reports to CEO
 - ❑ Increased staffing from 44 positions to 59 positions



Operating Budget by Program

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FY22 Operating Budget: \$14,362,188





◆ Budgetary Framework:

□ Revenues	\$319,721,389
▪ Interest Income	
▪ Appropriation Revenue	
▪ Grant Revenue	
▪ Investment Income	
▪ Administrative Fees	
□ Operating Budget	\$14,362,187
▪ Personnel	
▪ Contractual	
▪ Other	
□ Bond	\$78,337,712
▪ Interest Expense	
▪ Bond Issuance Costs	
▪ Loan Financing Pass-Through	
□ Grant Expense	\$204,441,177
□ Capital Expenditures	\$229,200
□ Net Transfers	\$453,100,000

