



NEW MEXICO  
**FINANCE AUTHORITY**

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**Presentation to  
NMFA Oversight Committee**

**Implications of COVID-19 on  
New Mexico Finance Authority Operations**

**Update on Public Project Revolving Fund  
and Economic Development Revolving Fund**

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- ◆ In January, the organization chart was modified to align our staff by function and responsibilities rather than by program
  - Blended compliance and legal functions
  - Created communications and outreach position
  - Created a Client Services Department who are the primary points of contact following board approval (closing, funding requisitions, pay-offs, etc.)
  - Grouped communications and outreach, program administration, client services, loan monitoring and collections under the Chief of Program Operations
- ◆ Prior to Public Health Order, filled five vacancies. Currently have one vacant position
- ◆ NMFA has been working from home since mid-March

- ◆ Established Essential Services Working Capital Program
- ◆ Received \$35 million New Markets Tax Credit award, bringing total to \$321 million
  - Created NMTC Small Loan Pool for projects less than \$4 million
- ◆ Small Business Recovery Act of 2020
  - Created \$400 million Small Business Recovery Loan Fund
  - Created \$50 million Emergency Economic Relief Fund
- ◆ Small Business Recovery Loan Fund applications opened August 5<sup>th</sup>, 29 days from the date SB3 was signed into law by Governor Michelle Lujan Grisham. First loan closed August 7<sup>th</sup>.
- ◆ NMFA application process utilized new technologies that will benefit entire organization

## Public Project Revolving Fund

Original Amount of Loans

Loans Closed After 02/01/20  
Loans Closed Before 10/31/20

|                            | Grand Total<br>Number<br>of Loans | Grand Total<br>Amount<br>of Loans |
|----------------------------|-----------------------------------|-----------------------------------|
| <b>New Mexico Counties</b> | <b>114</b>                        | <b>216,446,980</b>                |
| Bernalillo County          | 1                                 | 9,430,377                         |
| Catron County              | -                                 | -                                 |
| Chaves County              | 3                                 | 1,150,378                         |
| Cibola County              | 5                                 | 6,600,000                         |
| Colfax County              | 14                                | 12,050,578                        |
| Curry County               | 6                                 | 13,031,400                        |
| De Baca County             | 3                                 | 3,984,212                         |
| Dona Ana County            | 13                                | 50,989,735                        |
| Eddy County                | 1                                 | 3,000,000                         |
| Grant County               | 1                                 | 892,231                           |
| Guadalupe County           | 4                                 | 632,431                           |
| Harding County             | -                                 | -                                 |
| Hidalgo County             | 3                                 | 2,064,680                         |

PPRF has been very active in making new infrastructure loans during the February - September 2020 pandemic economy.



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**Original Amount of Loans**

**Loans Closed After 02/01/20**  
**Loans Closed Before 10/31/20**

**New Mexico Counties (continued)**

|                   | <b>Grand Total<br/>Number<br/>of Loans</b> | <b>Grand Total<br/>Amount<br/>of Loans</b> |
|-------------------|--|--|
|                   | <b>114</b>                                 | <b>216,446,980</b>                         |
| Hidalgo County    | 3  | 2,064,680                                  |
| Lea County        | 2  | 6,300,266                                  |
| Lincoln County    | 3  | 1,900,000                                  |
| Los Alamos County | -  | -  |
| Luna County       | 2  | 5,321,962                                  |
| McKinley County   | 4  | 16,650,000                                 |
| Mora County       | -  | -  |
| Otero County      | 5  | 3,171,285                                  |
| Quay County       | 11   | 5,345,000                                  |
| Rio Arriba County | 4  | 6,271,503                                  |
| Roosevelt County  | 3  | 5,000,000                                  |
| San Juan County   | 3  | 25,552,471                                 |
| San Miguel County | 2  | 3,250,000                                  |
| Sandoval County   | 5  | 18,796,539                                 |
| Santa Fe County   | -  | -  |
| Sierra County     | 1  | 1,072,161                                  |
| Socorro County    | 4  | 1,250,000                                  |
| Taos County       | -  | -  |
| Torrance County   | 4  | 4,101,534                                  |
| Union County      | 4  | 803,237                                    |
| Valencia County   | 3  | 7,835,000                                  |

- ◆ PPRF will close 114 loans during this period in the total amount of \$216.4 million distributed around the State and utilizing revenue pledges as follows:

Original Amount of Loans

Loans Closed After 02/01/20  
Loans Closed Before 10/31/20

Revenue Pledge Categories

Appropriation Loan  
Fire Protection Fund  
General Obligation  
Governmental Gross Receipts Tax  
Gross Receipts Tax  
Law Enforcement Protection Fund  
Local Special Tax  
Mill Levy  
System Revenue  
Special Assessment  
State Gross Receipts Tax

| Grand Total<br>Number<br>of Loans | Grand Total<br>Amount<br>of Loans |
|-----------------------------------|-----------------------------------|
| 114                               | 216,446,980                       |
| 3                                 | 12,135,266                        |
| 15                                | 1,875,156                         |
| 60                                | 79,290,000                        |
| -                                 | -                                 |
| 21                                | 68,103,672                        |
| 3                                 | 168,011                           |
| 1                                 | 746,463                           |
| -                                 | -                                 |
| 10                                | 44,698,035                        |
| 1                                 | 9,430,377                         |
| -                                 | -                                 |

- ◆ The PPRF funds these loans through the issuance of tax-exempt and taxable bonds into the municipal capital markets.
- ◆ During the early stages of the pandemic, access to the capital markets became very difficult for most issuers as there was a flight to quality with only top-rated issuers having access to capital.
- ◆ The PPRF is a top-rated issuer rated AAA/AAA by Standard & Poor's and Aa1/Aa2 by Moody's. On April 6th the NMFA sold PPRF 2020A bonds in the amount of \$32.3 million. The issue received \$80 million in orders validating NMFA's strong position with national investors as a safe and worthwhile investment.



- ◆ 2020A bond sale: originally scheduled to be sold on March 24, 2020 and rescheduled to be sold on April 7, 2020.
- ◆ Massive disruptions to the municipal bond market starting in mid-March due to pandemic concerns left municipal bond issuers on a day-to-day status with only the highest rated borrowers likely able to convince discerning buyers.
  - Week of March 16, record-setting \$12.2 billion in bond outflows
  - Week of March 23, bond fund outflows reached \$13.7 billion
  - In contrast, during the first ten weeks of 2020 bond fund inflows totaled \$10 billion or \$1 billion per week. Bond fund outflows moderated to \$750 million during the week of March 30 as the market steadied.



- ◆ Underwriters saw a window of opportunity on April 6th, PPRF 2020A bonds were immediately released to market with exceptional results.
  - ❑ Pricing flexibility made possible by 2017 delegation legislation (sponsored by Senator Cervantes); without delegation NMFA would not have been able to sell bonds.
  - ❑ Prior to delegation, bond issue pricing had to be approved at a meeting of a full governing board, which meeting would need a notice requirements making day-to-day bond sales not viable.
  - ❑ NMFA followed up the 2020A bond sale with sale of PPRF 2020B bonds on June 17th in the amount of \$81 million with \$218.5 million in orders received.

## PPRF Update

- ◆ Contrast the 2020A and 2020B bond sale over-subscriptions – and historically low interest rates – with sale of the pre-pandemic PPRF 2019D bonds (sold on 9/19/19) in the amount of \$53.3 million with the sale \$15.9 million under subscribed.
  - Restrained investor response to the PPRF 2019A bonds - investors love the credit but hate the tight pricing.
  - During the pandemic period, investors continued to love the credit and in terms of pricing, investors love the credit.
- ◆ \$100 million PPRF 2020C bond sale slated for September 16th.
- ◆ 2019D, 2020A, 2020B, 2020C bonds were (or will be) sold with delegated authority. By law, NMFA is required to report the results of delegated bond sales

## PPRF Update

- ◆ In 2017 New Mexico became the last State to approve a public board providing designation authority to a board member to approve final pricing of a bond sale with that designee then reporting results back to the full board.
  - Prior to that, all New Mexico municipalities could only sell bonds on the date of a full board meeting or perhaps on the day before.
  - As investors have many bond investment options on any given day, they want to know immediately.
  - As noted with the PPRF 2020A bond sale in April, delegation made the bond sale possible and allowed investors to make a very clear statement that not only is the PPRF a favored issuer nationally but investors believe in New Mexico.

- The four PPRF bond issues have brought about \$250 million in national money into New Mexico for infrastructure projects during a time that such investments are an important boost to the New Mexico economy.
- Without delegation, investors had to wait up to 24 hours and New Mexico issuers therefore paid a pricing premium
- ◆ Bottom line: It's still too early to determine the economic impacts of COVID New Mexico.
- ◆ To date, all borrowers are current on their payments and bond coverages have not been impacted
- ◆ Projecting slight decline in GGRT for purposes of coverage
- ◆ NMFA well positioned to weather storm

- ◆ Statewide Economic Development Finance Act (“SWEDFA”) was established in 2003 to help stimulate the economy, particularly in rural and underserved areas of the state by creating financing tools that put New Mexico on par with neighboring state
- ◆ SWEDFA partners the NMFA with New Mexico Economic Development Department (“NMEDD”) in operating several programs
- ◆ SWEDFA requires that staff provide two reports to the NMFA Oversight Committee during the interim. This is the NMFA’s first report for 2020

- ◆ The Economic Development Revolving Fund (“EDRF”) is the Fund created under SWEDFA from which NMFA makes loans. EDRF is segregated into three sub-accounts that account separately for State and Federal funds
  - **Smart Money** is a State funded loan participation program
  - **Collateral Support Participation** is a Federally funded loan participation program
  - **Essential Services Working Capital Program**
    - In December 2019, NMFA reported it was creating a new participation program funded from unobligated operating reserves
    - This program was put on hold and the money re-directed to the Essential Services Working Capital Program

- ◆ **Smart Money** provides long-term, low cost financing to businesses located predominantly in rural New Mexico. Typically, NMFA shares equally in the collateral available to a bank which mitigates bank risk, but does not allow more loan dollars to be advanced to a business
  - This program has very limited funds
  
- ◆ **Collateral Support Participation** provides short term financing, such as construction or working capital lines of credit. Typically, NMFA purchases subordinated collateral interest which allows more money to be loaned to businesses
  - This program is no longer active; repaid principal is sent to New Mexico Economic Development Program for its loan program



- ◆ 16 loans made to date totaling \$ 8,336,120
- ◆ Seven loans are active
- ◆ Total portfolio balance is approximately \$2.5 million
- ◆ Two loans were given one year of forbearance to accommodate with cash flow shortages resulting from the Public Health Order

| Description                                | Closing Date | Maturity Date | Maximum Loan Amount | Draws to Date      | Principal Payments Received | Interest Payments Received | Outstanding Loan Balance | Status as of 07/31/2020 |
|--|--------------|---------------|---------------------|--------------------|-----------------------------|----------------------------|--------------------------|-------------------------|
| <i>Active Portfolio</i>                    |              |               |                     |                    |                             |                            |                          |                         |
| Greater Albuquerque Habitat for Humanity   | 6/30/2013    | 5/28/2023     | \$ 241,000          | (241,000.00)       | \$ 49,187                   | \$ 46,297                  | \$ 191,813               | Current                 |
| Los Alamos Cooperative Market              | 12/4/2013    | 12/15/2023    | \$ 119,000          | (119,000.00)       | \$ 26,526                   | \$ 36,317                  | \$ 92,474                | Current                 |
| MW Holdings, LLC (Permanent - BOK)         | 3/24/2014    | 3/24/2024     | \$ 1,145,000        | (1,145,000.00)     | \$ 347,336                  | \$ 240,739                 | \$ 797,664               | Current                 |
| Permian I, LLC (Permanent)                 | 5/9/2014     | 7/15/2026     | \$ 1,593,081        | (1,593,080.95)     | \$ 594,210                  | \$ 79,280                  | \$ 998,871               | Current                 |
| Mesa Quemado dba Don Juan Auto Body        | 12/22/2014   | 12/22/2034    | \$ 89,500           | (89,500.00)        | \$ 17,771                   | \$ 18,987                  | \$ 71,729                | Current                 |
| Ambience Hospitality                       | 5/15/2015    | 5/27/2025     | \$ 450,000          | (450,000.00)       | \$ 113,715                  | \$ 87,361                  | \$ 336,285               | Current                 |
| Gallup Pipeline & Compliance Services, LLC | 10/30/2016   | 3/20/2025     | \$ 25,668           | (25,668.00)        | \$ 10,063                   | \$ 4,276                   | \$ 15,605                | Current                 |
| <b>Active Portfolio Totals</b>             |              |               | <b>\$ 3,663,249</b> | <b>(3,663,249)</b> | <b>\$ 1,158,808</b>         | <b>\$ 513,258</b>          | <b>\$ 2,504,441</b>      |                         |

- ◆ To date, NMFA has made six loans
- ◆ Two loans are active; one loan approved at the June 2020 Board Meeting is scheduled to close shortly
- ◆ Total portfolio balance is approximately \$2.95 million
- ◆ Total loans made (including pending loan) is \$7,620,593
- ◆ No requests for COVID-related forbearance in this portfolio

| Description                         | Loan Date  | Maturity Date | Maximum Loan Amount | Draws to Date        | Principal Payments Received | Interest Payments Received | Outstanding Loan Balance | Status as of 07/31/2020 |
|-------------------------------------|------------|---------------|---------------------|----------------------|-----------------------------|----------------------------|--------------------------|-------------------------|
| <i>Active Portfolio</i>             |            |               |                     |                      |                             |                            |                          |                         |
| Resources for Children & Youth Inc. | 11/20/2012 | 11/20/2022    | \$ 1,319,570        | (\$ 1,319,570)       | \$ 316,592                  | \$ 214,380                 | \$ 1,002,978             | Current                 |
| Younger Enterprise, LLC             | 9/4/2019   | 9/4/2029      | \$ 751,431          | (\$751,431)          | \$ 4,140                    | \$ 12,805                  | \$ 747,291               | Current                 |
| Memorial Ventures, LLC              | pending    | pending       | \$ 1,200,000        | n/a                  | n/a                         | n/a                        | n/a                      | approved 6/2020         |
| <b>Active Portfolio Totals</b>      |            |               | <b>\$3,271,001</b>  | <b>(\$2,071,001)</b> | <b>\$320,732</b>            | <b>\$227,185</b>           | <b>\$1,750,269</b>       |                         |