



NEW MEXICO
FINANCE AUTHORITY

1

Presentation to the
New Mexico Finance Authority Oversight Committee

Update on the Public Project Revolving Fund

Marquita Russel, Chief Executive Officer
Oscar Rodriguez, Chief Financial Officer
Daniel C. Opperman, Chief Legal Officer

September 7, 2023

- **Kathy Keith, Chair**
- **Martin Suazo, Vice Chair**
- **AJ Forte, Secretary**
New Mexico Municipal League
- **Andrew Burke**
- **James Kenney**
NM Environment Dept
- **Jon Clark**
NM Economic Development Dept
- **Joy Esparsen**
New Mexico Counties
- **Ronald Lovato**
- **Sarah Cottrell Propst**
Energy, Minerals and Natural Resources
- **Wayne Propst**
NM Dept of Finance & Administration
- One vacancy
- ◆ Broad-based finance agency created in 1992 as a government instrumentality
- ◆ Governed by an 11-member independent Board
 - Approves rules, policies, and projects
 - Oversees operations and approves budget
 - Active Committee process provides high level of oversight of NMFA’s diverse and complex operations
- ◆ Expansive programming and service to New Mexico
 - Authorized to operate 24 programs through 13 Acts
 - New Mexico Finance Authority Act (Section 6-21-2):
 - Purpose: “...to coordinate the planning and financing of state and local public projects ... and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.”
 - Statewide Economic Development Finance Act (Section 6-25-6):
 - Purpose: “assist eligible entities in financing projects” and to promote “achievement of economic development goals...”
- ◆ Overseen by 32-Member NMFA Oversight Committee

Program Authority

3

Active	Funded	FY	Program Name	Enabling Act	Statute	Partner
✓	✓	1992	Public Project Revolving Fund	New Mexico Finance Authority Act	6-21-6.0	Legislature
✓		1994	Primary Care Capital Fund	Primary Care Capital Funding Act	24-1C-4	DoH
✓	✓	1997	Drinking Water State Revolving Loan Fund	Drinking Water State Revolving Loan Fund Act	6-21A-4	NMED
		1999	Water and Wastewater Grant Fund	New Mexico Finance Authority Act	6-21-6.3	Legislature
✓	annually	2001	Water Project Fund	Water Project Finance Act	72-4A-9	WTB/LEG
✓	✓	2002	Local Government Planning Fund	New Mexico Finance Authority Act	6-21-6.4	Various
✓		2003	Economic Development Revolving Fund (Smart Money)	Statewide Economic Development Finance Act	6-25-6.1	NMEDD
		2003	Child Care Revolving Loan Fund	Child Care Facility Loan Act	24-24-4.0	ECECD
		2004	Acequia Project Fund	Water Project Finance Act	72-4A-9.1	WTB/ISC/Leg
✓		2004	Behavioral Health Capital Fund	Behavioral Health Capital Funding Act	6-26-4	HSD
		2005	Energy Efficiency & Renewable Energy Bonding Act	New Mexico Finance Authority Act	6-21D-5	EMNRD
		2005	Local Transportation Infrastructure Fund	New Mexico Finance Authority Act	6-21-6.8	DOT
✓		2006	New Markets Tax Credit	Statewide Economic Development Finance Act	6-25-6.1	FNM/NMEDD
		2007	Local Government Transportation Fund	New Mexico Finance Authority Act	6-21-6.12	DOT
✓	annually	2010	Colonias Infrastructure Project Fund	Colonias Infrastructure Finance Act	6-30-8	CIB
✓	✓	2011	Collateral Support Participation Program	Statewide Economic Development Finance Act	6-25-13	NMEDD
✓		2021	Essential Services Working Capital Program	Statewide Economic Development Finance Act	6-25-13	NMEDD
✓		2021	New Markets Tax Credit Small Loan Pool	Statewide Economic Development Finance Act	6-21-6.12	FNM/NMEDD
✓		2021	Small Business Recovery Loan Fund	Small Business Recovery and Stimulus Act	6-32-3	Leg/SIC
✓		2021	New Mexico LEDA Recovery Grants	Local Economic Development Act	5-10-16	NMEDD/Leg
✓	✗	2022	Cannabis Microbusiness Program	Statewide Economic Development Finance Act	6-25-13	RLD/NMEDD
✓	✓	2022	Venture Capital Fund	Venture Capital Program Act	6-33-3	(NMEDD)
✓	✓	2022	Charter School Facility Revolving Fund	Charter School Facility Improvements Act	6-21-6.16	(PSCOC)
✓	✓	2022	Opportunity Enterprise Fund	Opportunity Enterprise Act	6-34-12	OERB

Despite recent growth, PPRF continues to be 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
 - NMFA's approval includes a 90-day interest rate cap
 - No fees since January 2020; NMFA absorbs underwriting, rating and other issuance costs, and produces the Official Statements, resulting in savings of time, effort, and costs to the borrower
 - Applications accepted monthly; applicants seeking to borrow more than \$1 million must first receive authorization by the legislature

- ◆ **In addition to low 'AAA' interest rates, clients with Median Household Incomes ("MHI") below the State's MHI may receive Disadvantaged Entity Funding:**
 - Clients with an MHI between 80% - 100% of the State MHI may receive 2% interest rate and Clients with an MHI that is less than 80% of the State MHI may receive 0% interest rate
 - 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 \$500,000 of disadvantaged funds per fiscal year
 - Disadvantaged entity funding is not provided for loans greater than \$5 million or for refunding loans

◆ **Governmental Gross Receipts Tax (“GGRT”) is key to strong ratings**

- GGRT, or Governmental Gross Receipts Tax, 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 (ABCWUA)
- 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
- Of this 75%, ~35% is appropriated for other programs – netting the PPRF ~50% of annual state GGRT tax revenues
- The importance of GGRT to the PPRF Program cannot be overstated; however, credit structuring and enhancements to credit are equally vital to PPRF program success.

- ◆ Program capacity comes as a result of a conservatively structured and managed bond program. The PPRF bond program is a highly rated: 'AAA' by S & P Global and 'AA1' by Moody's Investor Services.
- ◆ Currently, NMFA has 42 bonds outstanding totaling \$1.45 billion and approximately 1,065 outstanding loans totaling \$1.8 billion.
- ◆ Bonds are all issued on fixed rate basis – typically with 10-year calls. Bonds are typically retired with excess PPRF cash while underlying loans remain outstanding to provide greater coverage and program capacity
- ◆ Credit enhancement features for the PPRF bond program
 - Equity loans – about 10% of revenues – provide added coverage
 - Both bond liens have debt service reserve funds – the Common Debt Service Reserve Fund and the Supplemental Credit Reserve Fund
- ◆ The PPRF has a \$100 million line-of-credit with Wells Fargo

Diversity is the Key to Success in PPRF



All PPRF Loans Outstanding by County as of June 30, 2023

1,065 1,816,651,072 1,705,776

<u>County</u>	<u>Number of Loans</u>	<u>Total Amount Outstanding Loans</u>	<u>Average Loan</u>	<u>New Mexico Counties</u>	<u>Number of Loans</u>	<u>Total Amount Outstanding Loans</u>	<u>Average Loan</u>
Bernalillo County	13	174,814,396	13,447,261	McKinley County	23	91,543,535	3,980,154
Catron County	18	2,848,573	158,254	Mora County	14	6,570,991	469,357
Chaves County	42	300,685,10	715,917	Otero County	60	359,493,71.2	599,156
Cibola County	28	30,735,973	1,097,713	Quay County	38	9,171,405	241,353
Colfax County	72	51,217,262	711,351	Rio Arriba County	37	95,900,912	2,591,917
Curry County	35	32,742,146	935,490	Roosevelt County	38	77,834,175	2,048,268
De Baca County	10	5,080,356	508,036	San Juan County	27	150,029,002	5,556,630
Dona Ana County	77	198,422,045	2,576,910	San Miguel County	32	47,227,002	1,475,844
Eddy County	9	6,280,501	697,833	Sandoval County	77	134,725,530	1,749,682
Grant County	36	35,764,241	993,451	Santa Fe County	42	216,356,257	5,151,339
Guadalupe County	21	4,690,706	223,367	Sierra County	40	44,317,367	1,107,934
Harding County	9	2,701,559	300,173	Socorro County	55	30,679,552	557,810
Hidalgo County	15	9,696,275	646,418	Taos County	32	41,302,390	1,290,700
Lea County	10	40,769,681	4,076,968	Torrance County	36	33,010,107	916,947
Lincoln County	37	42,553,922	1,150,106	Union County	26	13,385,118	514,812
Los Alamos County	4	20,862,072	5,215,518	Valencia County	38	86,293,606	2,270,884
Luna County	14	13,106,534	936,181				

NOTE: Santa Fe County includes State Government Loans

Diverse client base across all 33 New Mexico Counties

Diversity is the Key to Success in PPRF



Client Type	Loan Count	Total Outstanding	% of Total
Municipality	361	539,166,753	29.7%
School District	353	448,853,239	24.7%
County	238	187,902,605	10.3%
Higher Education	19	153,011,229	8.4%
Tribal	17	92,982,311	5.1%
Other	77	394,734,936	21.7%
Total	1,065	1,816,651,072	100.0%

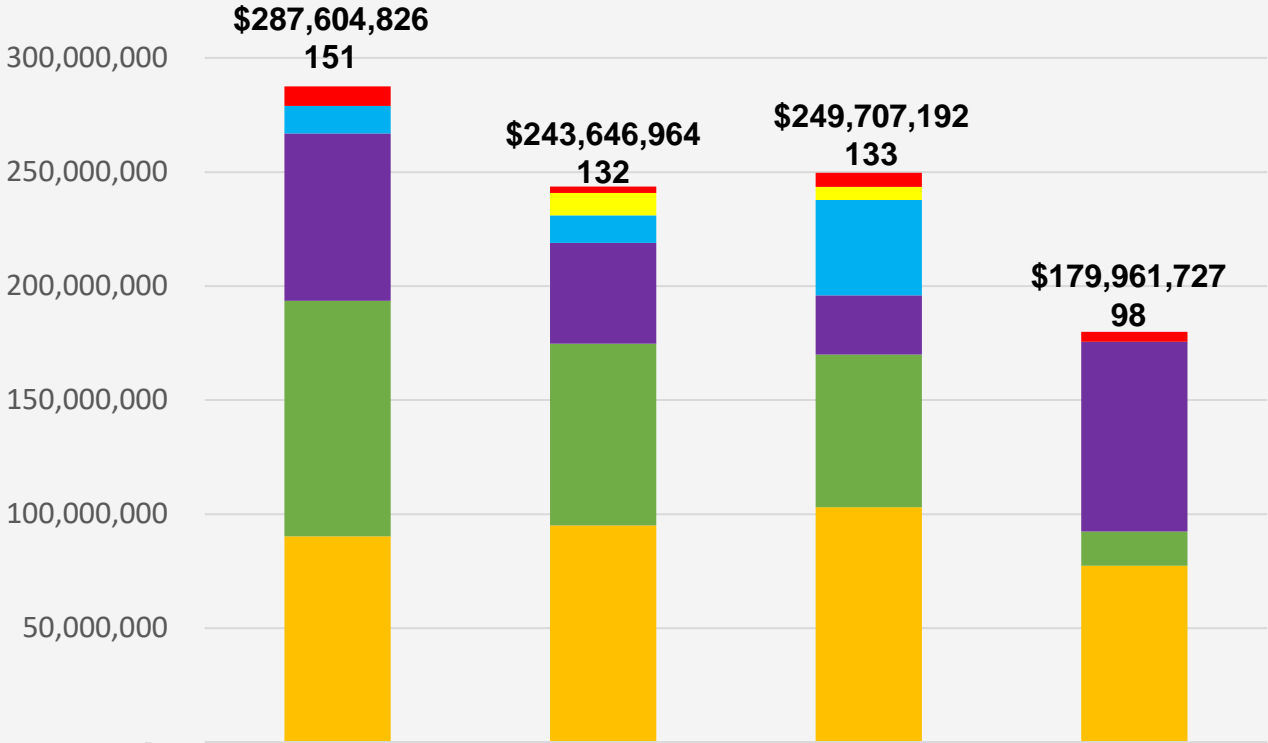
2024 Loan Revenue by Pledge Type	Amount	Relative to all Loans
Appropriation Loans	7,940,052	3.8%
General Obligation	76,045,725	36.4%
Gross Receipts Tax	48,796,519	23.4%
Law Enforcement Protection Funds	269,215	0.1%
Local Special Tax	13,445,578	6.4%
Mill Levy	351,416	0.2%
Net System Revenue	46,196,514	22.1%
Special Assessment	2,085,744	1.0%
State Fire Protection Fund	5,380,151	2.6%
State Gross Receipts Tax	8,206,447	3.9%
Total 2024 Loan Revenue	208,717,361	100.0%

PPRF Loan Portfolio



Largest Borrowers by Revenue Pledge	FY2024 O/S Principal	% of Total	% of Total	
Albuquerque Bernalillo County Water Utility Authority - Net Sys Rev	106,615,000	5.87%	5.87%	
New Mexico General Services Department - State GRT	80,245,000	4.42%	10.29%	
Rio Rancho, City of - Sys Rev	61,933,040	3.41%	13.70%	
Jicarilla Apache Nation - Sys Rev	46,530,000	2.56%	16.26%	
Farmington, City of - GRT	45,548,548	2.51%	18.76%	Top 5
Las Cruces, City of - GRT	45,149,329	2.49%	21.25%	
Gadsden Independent School District 16 - GO	43,510,000	2.40%	23.64%	
New Mexico General Services Department - App. Revenue	41,450,000	2.28%	25.93%	
Farmington, City of - Net Sys Revenues	39,120,000	2.15%	28.08%	
Eastern New Mexico University Board of Regents - Sys Rev	35,615,229	1.96%	30.04%	Top 10
	545,716,146	30.04%		
Largest Borrowers by Entity				
New Mexico General Services Department	121,695,000	6.70%	6.70%	
Albuquerque Bernalillo County Water Utility Authority	106,615,000	5.87%	12.57%	
Farmington, City of	84,668,548	4.66%	17.23%	
Rio Rancho, City of	81,954,909	4.51%	21.74%	
Las Cruces, City of	67,758,329	3.73%	25.47%	Top 5
Gallup McKinley County School District 1	61,295,000	3.37%	28.84%	
Santa Fe, City of	55,639,767	3.06%	31.91%	
Jicarilla Apache Nation	46,530,000	2.56%	34.47%	
Gadsden Independent School District 16	43,510,000	2.40%	36.86%	
Eastern New Mexico University Board of Regents	36,335,229	2.00%	38.86%	Top 10
	706,001,782	38.86%		

PPRF
Loans
Made
FY 2020 –
FY 2023



Funding Source	FY 2020	FY 2021	FY 2022	FY 2023
Law Enforcement & Fire Protection Funds	8,566,054 43	2,765,858 18	6,240,042 33	4,311,909 26
Special Assessment & Mill Levy		9,801,877 4	5,741,440 3	
Appropriation Revenue	12,135,266 3	12,105,000 3	41,725,331 8	
Net System Revenue	73,405,105 15	44,156,957 15	26,056,369 8	83,310,248 13
Gross Receipts & Local Special Tax	103,196,995 33	79,718,165 32	66,832,917 19	14,896,570 5
General Obligation	90,301,406 57	95,099,106 60	103,111,094 62	77,443,000 54

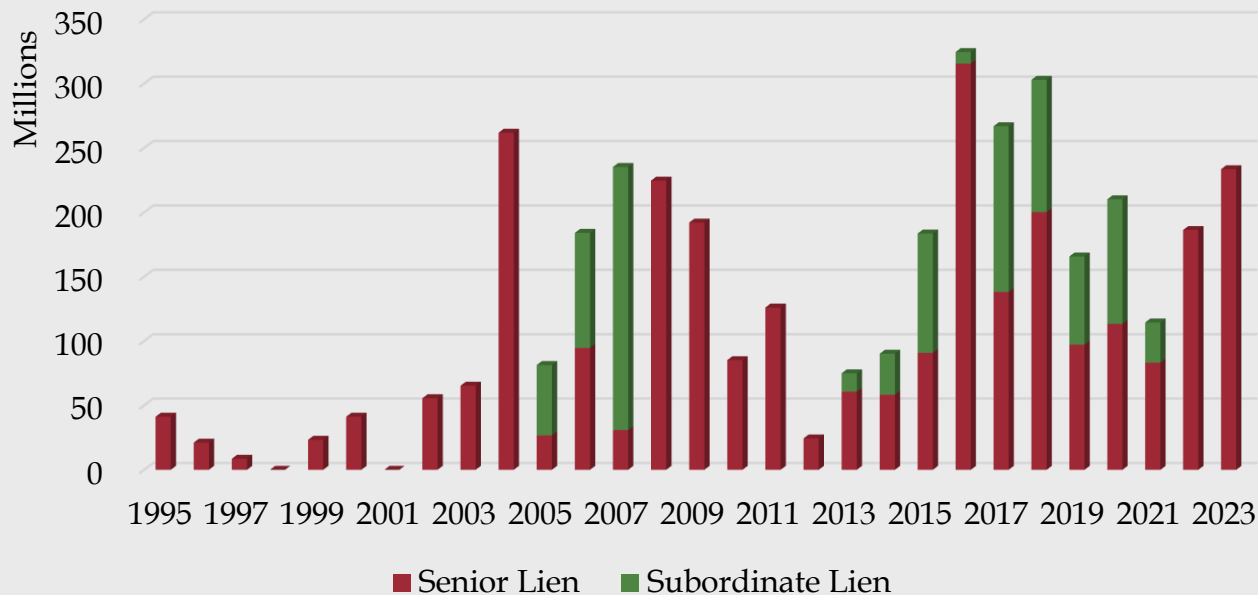
- ◆ **Required Report on Public Securities Issuances Involving Delegation of Authority**
- ◆ **2022 C bonds sold November 3, 2022; Closed November 30, 2022**
 - JP Morgan Lead Manager / Wells Fargo and Goldman Sachs as Co-Managers
 - **Par amount of \$67,500,000**
 - Average Life of 9.85 years
 - Effective True Interest Cost of 4.0%
 - Reimbursed \$72,360,000 of PPRF loans including \$28 million loan for to New Mexico State University
- ◆ **2023A-1 and A-2 bonds sold May 16, 2023; Closed May 31, 2023**
 - Morgan Stanley, Lead Manager / Bank of America and Stifel Nicolaus as Co-Managers
 - **Par amount of 2023A-1 Bonds: \$36,550,000**
 - Average Life of 7.75 years
 - Effective True Interest Cost of 3.18%
 - Reimbursed PPRF for 19 previously issued loans
 - **Par amount of 2023A-2 Bonds: \$39,120,000**
 - Simultaneous issuance to fund City of Farmington Electric Utility Project
 - Average Life of 19.32 years
 - Effective True Interest Cost of 4.9%
 - Sold as separate sub-series to accommodate City's request for a two-year call option (June 2025)

◆ Upcoming bond issuance and activity

- Preparing 2023B Senior Lien Bonds are expected to be sold in mid-October
- Bonds will reimburse the PPRF for 23 Projects ranging in size from a \$212,000 equipment loan to a \$11 million School Bond
- Bond will also simultaneously fund a loan to the Albuquerque Bernalillo County Water Utility Authority
 - Albuquerque Bernalillo County Water Utility Authority, \$121.3 million (Water Utility Revenues)
 - Los Lunas Municipal School District, \$11.0 million (GO)
 - Gadsden Independent School District, \$9.5 million (GO)
 - Village of Los Ranchos de Albuquerque, \$6.1 million (GO)
 - City of Las Cruces, \$4.6 million (MGRT)
 - Belen Consolidated School District, \$3.6 million (GO)
 - City of Las Cruces, \$3.1 million (MGRT)
 - Deming Public School District, \$2.7 million (GO)
 - Las Vegas Public School District, \$2.0 million (GO)

- ◆ Strong, conservative management of the PPRF Bond Program has resulted in additional capacity that can be used to meet demand for currently authorize but unserved Qualified Entities

**Par Amount of PPRF Bonds Issued by Calendar Year
(Includes 2023B)**



- ◆ The PPRF has never been stronger:
 - Disciplined management in the implementation of PPRF scope policies, and projects and committed to the long-term enduring success of the program
 - GGRT revenues have a history of stable growth and continue to provide a unique level of support for the PPRF program
 - Strong credit enhancement features including intercepts and loan/borrower/bond reserves to support repayment of debt service
 - Actively managed program has resulted in stable bond coverage and no defaults/delinquencies in the PPRF's 30-year lending history
 - Conservative debt profile with fixed rate bonds, rapid amortization of debt, and utilization of cash to redeem bonds support the sustainability and resiliency of the PPRF program
- ◆ **PPRF well positioned to extend the benefits of the PPRF to currently Qualified Entities that have not enjoyed broad access to the program because of credit considerations.**
- ◆ NMFA is seriously exploring the creation of a junior lien to offer affordable financing options to credits that have traditionally not had access to the Public Project Revolving Fund – particularly Charter Schools

NM Charter Facilities Landscape

15

- ◆ Securing quality educational facilities and expanding facilities to meet growing student populations and pedagogical needs is a challenge: relative to public school districts, charter schools lack comparable access to public funding resources to meet facility and student transportation needs.
- ◆ Projects range from shorter-term renovations and improvements, to longer-term expansion and acquisition of permanent facilities.
- ◆ In a recent survey by Public Charter Schools of New Mexico respondents indicated key challenges include:
 - lack of affordable financing
 - strained finances overall
 - lack of available educational facilities in rural areas
 - lack of facilities support from public school districts
 - insufficient cash to fund down payments

Credit & Structuring Challenges

- ◆ Pursuant to the Bateman Act it is unlawful for local school boards to become indebted beyond the current year. Therefore, in order to finance facilities projects, charter schools must enter into a lease purchase agreement (LPA).
- ◆ Lease assistance payments – the primary source of debt service – are subject to an annual discretionary Public School Capital Outlay Council grant award and funding process. Future annual per student MEM distribution amounts are subject to change.
 - In FY23, publicly funded lease assistance payments covered ~70% of total lease costs, leaving a funding shortfall charter schools must meet with operating funds intended for educational purposes.
- ◆ LPAs are collateralized by educational facilities, a niche asset with a limited secondary market, posing valuation and liquidation challenges.
- ◆ Construction and renovation of charter schools are subject to construction price increases and volatility that are difficult to predict and make funding more difficult.
 - Charter School Revolving Fund is positioned to absorb the construction risk

Program design extends the strength of the Senior and Subordinate Liens to a new “Junior Lien”

Through this structure, as much as \$300 million could be made available to under-served credits

