



NEW MEXICO  
**FINANCE AUTHORITY**

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# **Overview of the New Mexico Finance Authority**

**Marquita D. Russel, CEO**

May 31, 2023

# Governance



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- ❑ **Kathy Keith, Chair**
- ❑ **Martin Suazo, Vice Chair**
- ❑ **AJ Forte, Secretary**  
New Mexico Municipal League
- ❑ **Andrew Burke**
- ❑ **James Kenney**  
NM Environment Dept
- ❑ **Alicia Keyes**  
NM Economic Development Dept
- ❑ **Joy Esparsen**  
New Mexico Counties
- ❑ **Ronald Lovato**
- ❑ **Cleve McDaniel**  
NM Institute of Mining & Technology
- ❑ **Sarah Cottrell Propst**  
Energy, Minerals and Natural Resources
- ❑ **Wayne Propst**  
NM Dept of Finance & Administration
- ◆ Broad-based finance agency created as a government instrumentality
- ◆ Governed by an 11-member independent Board
  - ❑ Gov. Lujan Grisham appointed Kathy Keith as Chair in March 2023
  - ❑ Approves rules, policies, and projects
  - ❑ Oversees operations and approves budget
  - ❑ FY2024 Operating Budget is \$20 million
- ◆ 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
- ◆ Overseen by 32-Member NMFA Oversight Committee:
  - ❑ Representative Joy Garratt, Chair
  - ❑ Senator Michael Padilla, Vice Chair



### ◆ Expansive programming and service to New Mexico

- 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...”
- Administrator of six Boards and their respective Committees
  - 11-member New Mexico Finance Authority Board and its five committees
  - 16-member Water Trust Board and its two committees
  - 11-member Colonias Infrastructure Board and its two committees
  - 12-member Opportunity Enterprise Review Board and its two committees
  - 9-member Finance New Mexico Advisory Board
  - Drought Task Force
- Authorized to operate 24 programs through 13 Acts

# Statutory Authority

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
✓	x	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

## New Funding Activity



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- ◆ At its May 25, 2023 Meeting, the NMFA Board approved a Memorandum of Agreement with the NM Economic Development Department to manage a portion of the State's distribution of federal State Small Business Credit Initiative funds
  - NMEDD will use approximately \$9 million for its Capital Access Program
  - NMFA will manage the remaining \$59 million
    - Approximately \$20 million will be used in an alternative venture capital program
    - Remaining \$39 million will be used to fund other eligible programs determined by NMEDD and NMFA, with the approval of the US Dept of Treasury
  
- ◆ Grants to Eligible Childcare Providers through Memoranda of Agreement with Early Childhood Education and Care Department
  - Approximately \$13.5 million in federal funding to support expansion of quality childcare
  - Approximately \$6.5 million in federal Stabilization Grants to 97 providers that did not take advantage of the first round funding
  
- ◆ Human Services Department has agreed to add \$4.8 million in funds to the Behavioral Health Capital Fund

## Impact of New Programming



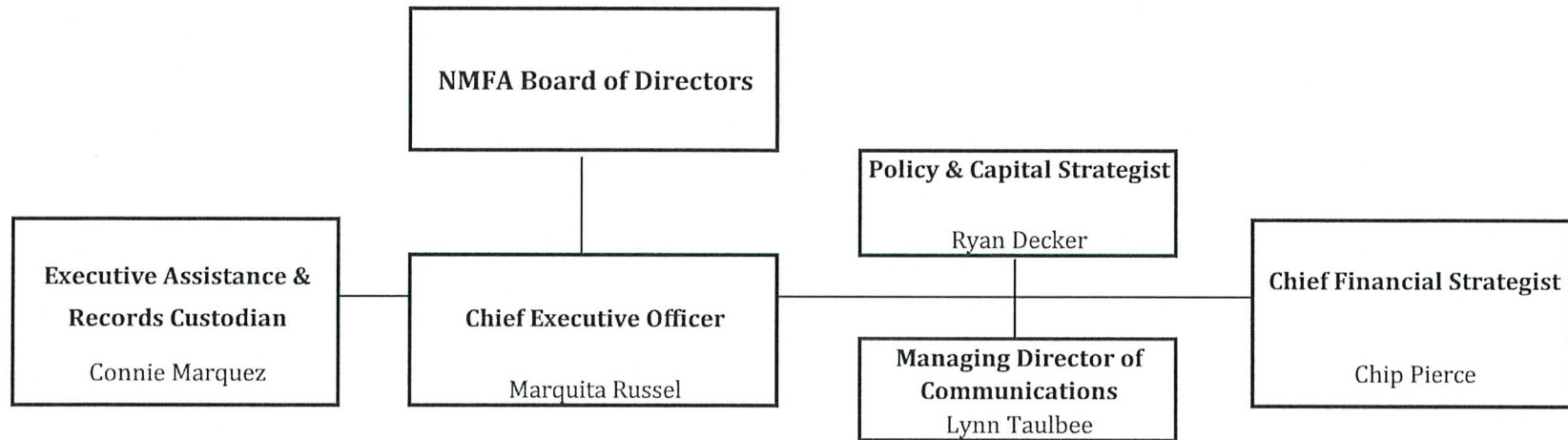
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- ◆ Organizational realignments and technology investments made over the past few years designed to manage program funding fluctuations, support growth, and provide organizational resiliency.
  - ❑ Blended public and private lending departments to provide more opportunities for client interaction and greater ability to serve community needs
  - ❑ Created separate credit department to support the analysis of more complex credits, strengthen loan portfolio monitoring
  - ❑ Transitioned Recovery programs group into a new program administration unit for community and economic development programs
  - ❑ Created client services department to reduce fragmentation and provide clients with a single point of contact after the closing process
  - ❑ Doubled the size of the IT department and legal department
  - ❑ Created an Operations & Innovation group to enhance client experience, operational efficiency and reporting quality
  - ❑ Added communications person and enhanced web and social media presence
  - ❑ Added significant new technology to help reduce fraud and increase security of data
  - ❑ Overhauled dysfunctional internal compliance program into a robust Enterprise Risk Management compliance program (Operational Excellence)



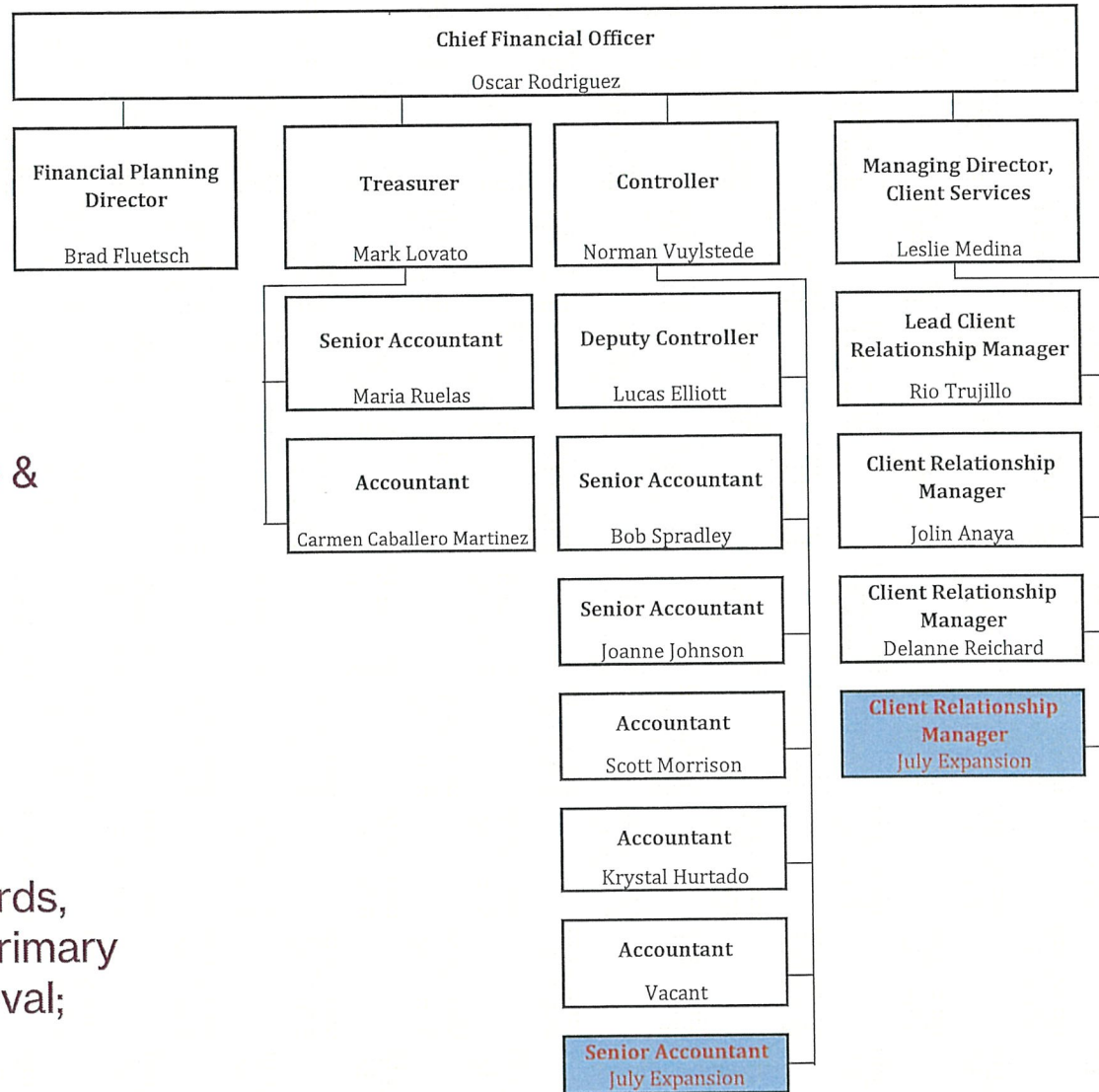
## CEO Office



- Agency oversight
- Legislative & Intergovernmental affairs
- Policy development & impact benchmarking
- Program development
- Records Custodian / IPRA
- Communications & Media Relations



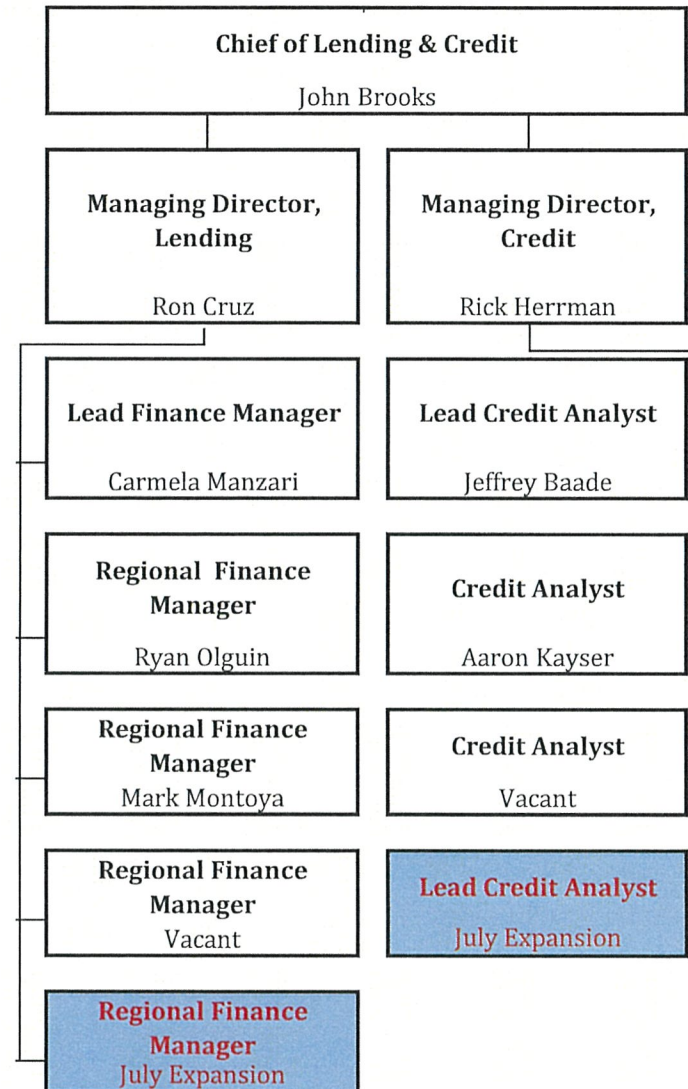
# Finance Department



- Bond Issuance, Compliance & Reporting
- Investment & Treasury Management
- Loan Servicing
- Accounts Payable
- Coordinates closing of awards, initiates draw processing, primary point of contact post-approval; collections

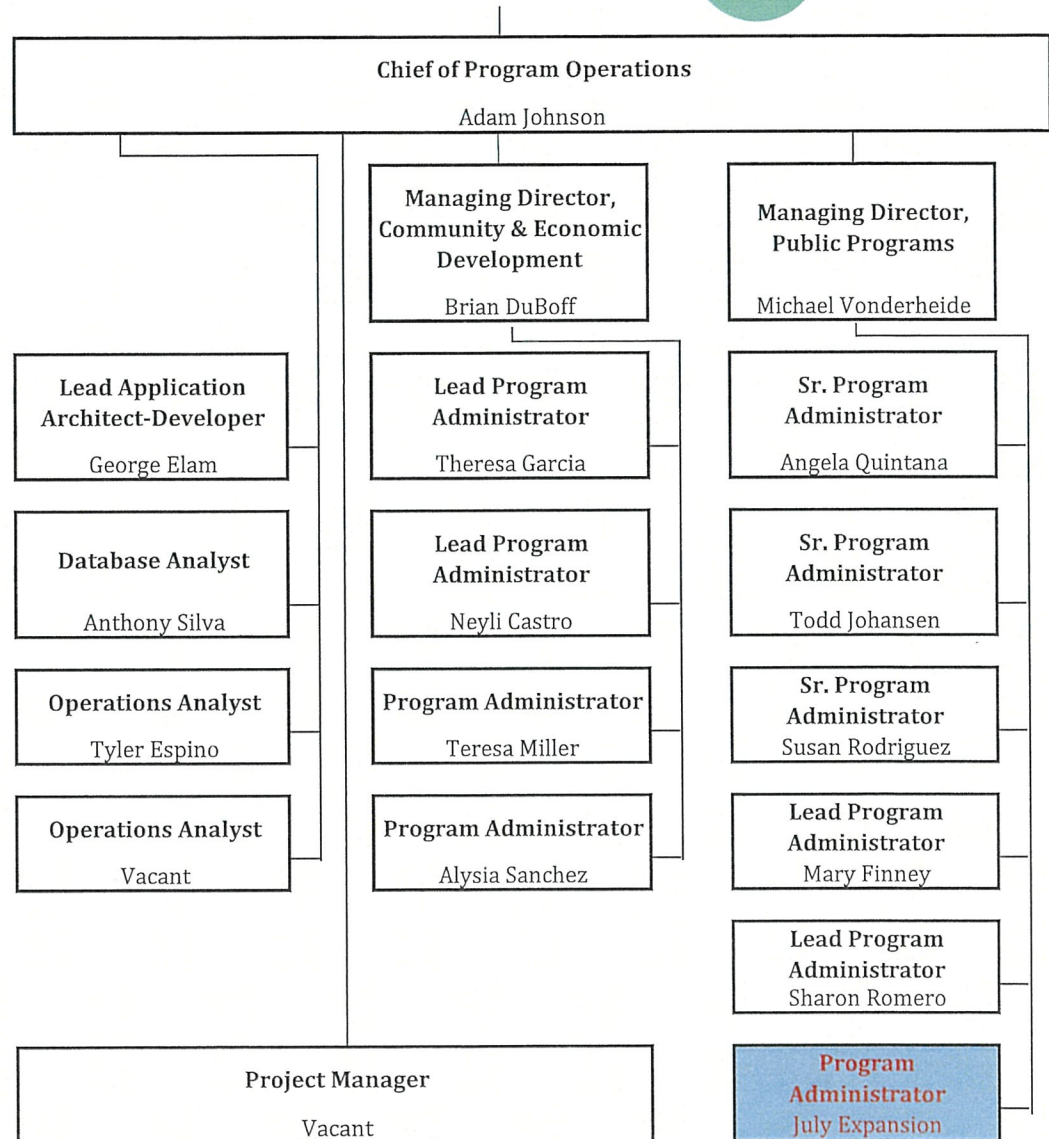
## Credit & Lending

- Client outreach & marketing
  - Currently on a county tour
- Loan and grant origination
- Independent view of credit quality and risk
- Portfolio monitoring and compliance



## Program Operations & Innovation

- System Development & Integration
- Organizational Effectiveness
- Centralized Program Application Administration & Processing
- Program compliance and reporting, application oversight,
- Project monitoring
- Advisory Board staffing and management



# Operations

## Support Services

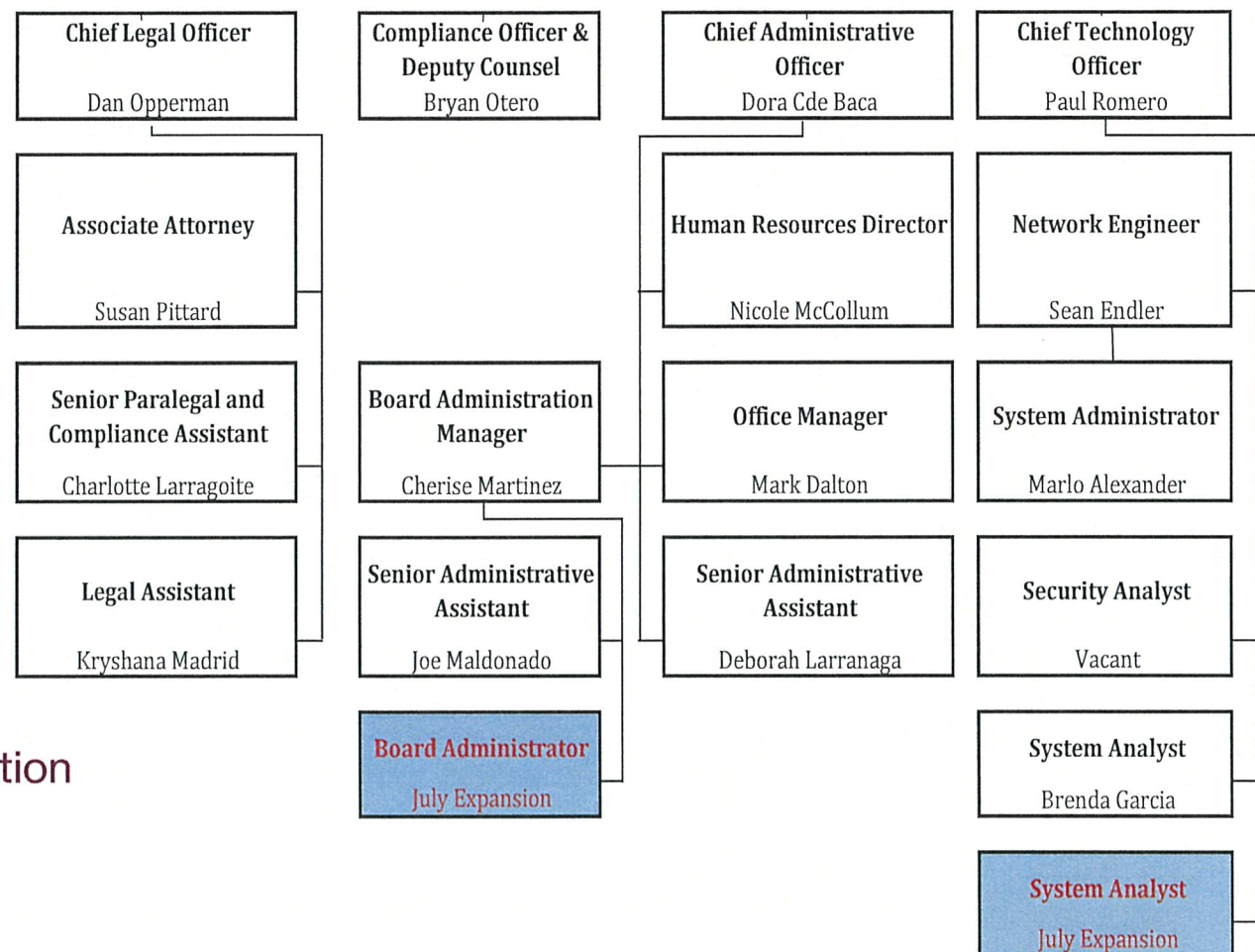
- Human resources
- Office management
- Meeting facilitation

## Legal & Compliance

- General counsel
- Transaction documentation
- Internal audit

## Information Technology

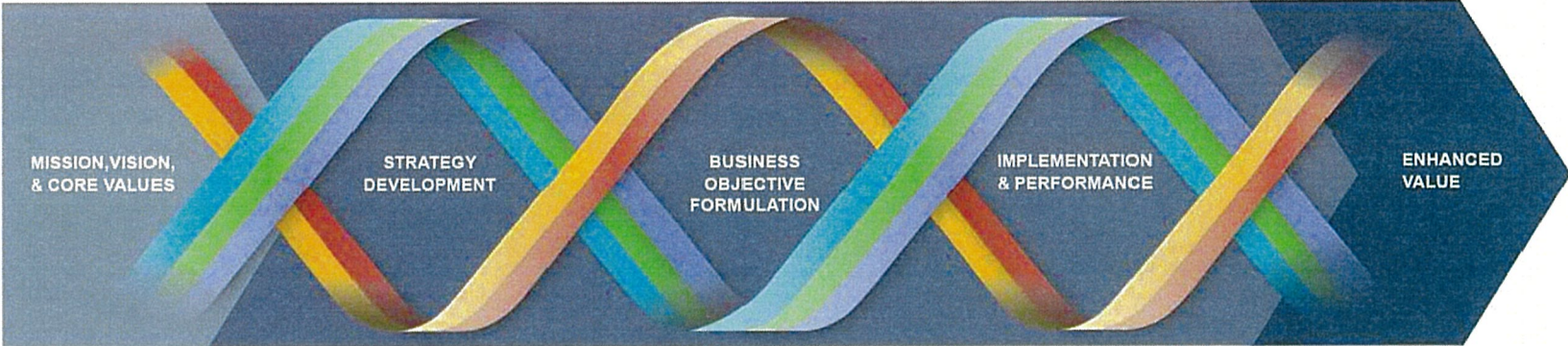
- Technology services, systems and security



# Enterprise Risk Management

Integrated view of risks that may limit or impact an organization's ability to meet its mission

## ENTERPRISE RISK MANAGEMENT



 Governance & Culture

 Strategy & Objective-Setting

 Performance

 Review & Revision

 Information, Communication, & Reporting

# 2022 Top Risks / Initiatives

## Structure & Authority

- ▶ **Succession Planning**
- ▶ **SOPs**
- ▶ Roles & Responsibilities

## Org Culture/Communication

- ▶ Communication
- ▶ Problem Solving

## Policy Governance

- ▶ Policy Management
- ▶ **Delegation of Authority**

## Staff Dev, Training & Retention

- ▶ Performance reviews
- ▶ Training
- ▶ **Retention & Satisfaction**
- ▶ **On-Boarding**

## Tech Integration & Info Mgt

- ▶ **Integrated Systems/software**
- ▶ Reports & Storage Methods
- ▶ Interoperability Assessment
- ▶ Effective Information Architecture (IA)
- ▶ **Biz Requirements future needs**

## Data Governance

- ▶ Align IT strategy to needs
- ▶ Data Governance Controls
- ▶ **Document retention & mgt**

## Cybersecurity & Data Privacy

- ▶ **Cybersecurity Assessment**
- ▶ Security Operations Center (SOC) Review
- ▶ Down-time & support
- ▶ Span of Control/Authority

## Program Mgt & Prioritization

- ▶ **Collateral, monitoring, & performance**
- ▶ Performance Measures
- ▶ **Budget: as a tool & authority**
- ▶ Automate, efficient invoicing

## Community Impact Reporting

- ▶ Structured Process
- ▶ What Data/from Where

## Strategic Vision & Goals

- ▶ Corporate Vision & Goals
- ▶ Relate Vision/Goals to personnel, performance & success measures

## 2023 Session Recap: NMFAOC Endorsed Legislation



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**HB 298 - PPRF Appropriation Bill (Rep. Ambrose Castellano & Sen. Nancy Rodriguez)** endorsed by the NMFA Oversight Committee) appropriates from the PPRF \$14.2 million to four different funds.

- ❑ Drinking Water State Revolving Fund
- ❑ Wastewater Construction Loan Fund (aka Clean Water State Revolving Loan Fund)
- ❑ Local Government Planning Fund
- ❑ Cultural Affairs Facility Fund

**HB 525 - WTB Authorization Bill (Rep. Susan Herrera & Sen. Joseph Cervantes),** authorizes NMFA to make loans and grants from the Water Project Fund to 59 entities recommended by the Water Trust Board.

**SB 332/a - PPRF Authorization Bill (Sen. Nancy Rodriguez)** authorizes 49 entities to access the Public Project Revolving Fund.

## 2023 Session Recap: Other NMFA Legislation



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- ◆ **SB 423 - NMFA Operating Capital Bill** (Sen. Nancy Rodriguez) expands the use of the Primary Care Capital Fund, Behavioral Health Capital Fund & Child Care Revolving Loan Fund to include working capital, makes clarifying amendments to the PCCF and BHCF, moves the PCCF from the Treasury to NMFA, and allows NMFA to fully recover the costs of administering the PCCF & BHCF.
- ◆ **SB 314 – Approval of Econ Development Projects (Sen. Michael Padilla)** extends by four years the ability of NMFA to make loans to businesses and non-profits from the Economic Development Revolving Fund without specific prior legislative authorization.
- ◆ **SB 402/a – NMFA Venture Capital Fund (Sen. Martin Hickey)** removed the co-investment requirement, increased the industry concentration from 10% to 30%, and protected confidential information and trade secrets.



# Opportunity Enterprise Act



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- ◆ **The Opportunity Enterprise Act** -- 2022 HB 7/a, Sponsored by Representatives Meredith A. Dixon, Brian Egolf, Linda Serrato, and Javier Martinez
- ◆ Designed to support local communities that want to build and invest in commercial or entrepreneurial space to directly support economic development initiatives that foster micro and small business creation and growth and bring jobs. Projects cited include: innovation hubs, smart manufacturing hubs, maker spaces, site ready industrial space, and commercial kitchens.
- ◆ Establishes the Opportunity Enterprise Review Board to:
  - Collaborate with local municipalities and local communities to facilitate opportunity enterprise projects
  - Establish economic development goals for the state in coordination with NMEDD
  - Recommend potential enterprise projects for financing
- ◆ Creates the Opportunity Enterprise Revolving Fund in NMFA which received a \$70 million appropriation during the 2022 legislative session (re-appropriated from 2021 LEDA Recovery Grant Fund)

# Opportunity Enterprise Review Board



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## Twelve Members

### ◆ Five Ex-Officio Members

- Alicia Keyes, Secretary of Economic Development
- Wayne Propst, Secretary of the Department of Finance and Administration
- Robert Doucette, Secretary of General Services Department
- Laura Montoya, NM State Treasurer
- Joseph Maestas, NM State Auditor

### ◆ One Member appointed by Council of Government Organization

- Priscilla Lucero, Executive Director of the SWNMCOG

### ◆ Six public members appointed by the NM legislative council to six-year terms, with initial terms staggered.

- |                    |           |  |           |
|--------------------|-----------|--|-----------|
| □ Brian Condit     | 6/30/2024 | Victor Mendoza                         | 6/30/2024 |
| □ Joe Farr (Chair) | 6/30/2026 | Jennifer Garcia Kozlowski (Vice Chair) | 6/30/2026 |
| □ Vacant           | 6/30/2028 | Vacant                                 | 6/30/2028 |

### ◆ Board has established rules and policies governing the selection of projects eligible to receive funding from NMFA. Application is expected shortly after June 7<sup>th</sup> OERB meeting

### ◆ NMFA has approved rules and is in the process of establishing policies for projects recommended by OERB.

# Key Definition



## Enterprise Development Project

The purchase, planning, designing, building, surveying, improving, operating, furnishing, equipping or maintaining land, building, or infrastructure to create or expand economic development opportunity within the state

## Economic Development Opportunity

Advancement of an environmentally sustainable economic development goal of the state as determined by the NMFA, in coordination with the NMEDD, includes creation of jobs, provision of needed services and commodities to diverse communities across the state, and the increase of tax and other revenue collections resulting from the enterprise development project

## Opportunity Enterprise Partner

A private business entity that the NMFA determines is or will be engaged in an enterprise that creates or expands economic development opportunities within the state

## Opportunity Enterprise Financing

- ❑ Financing provided to an OE Partner to construct an OE development project that will be owned by NMFA
- ❑ NMFA may enter into opportunity enterprise leases at fair market value. The OE development project must be used solely to create and expand economic development opportunities

## Opportunity Enterprise Loan

- ❑ Loan to OE Partner of between 15 – 30 years on terms established by NMFA
- ❑ Guarantee of a loan made to OE Partner by a federally insured financial institution on terms approved by the OE Review Board
- ❑ Interest rate fixed at 60% of prime, with a floor of 3%

## ◆ The Venture Capital Program Act – 2022 HB 104/a & 2023 SB 402

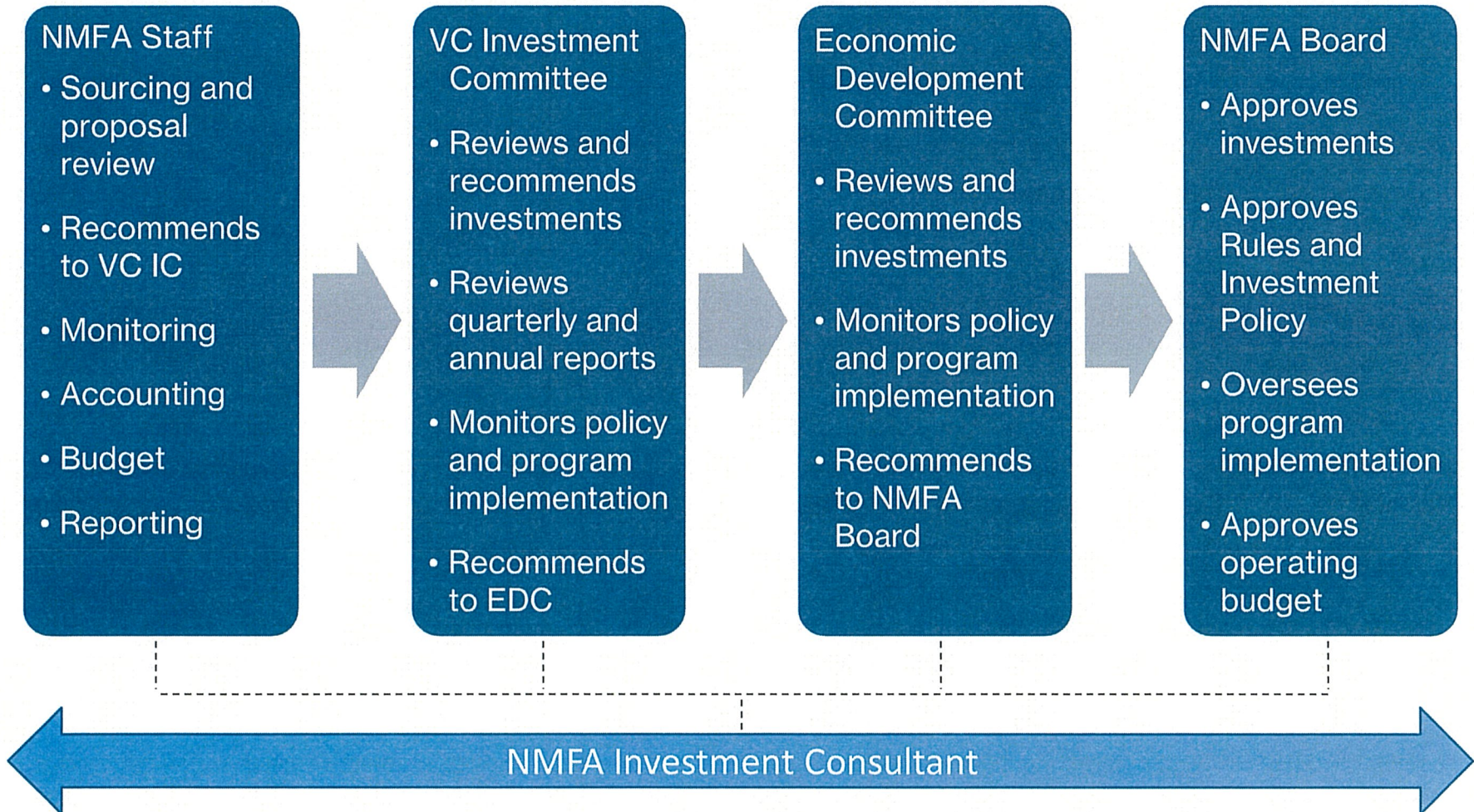
- Sponsored by Representatives Meredith A. Dixon, Linda Serrato, Javier Martinez and Antonio Maestas and Senator Martin Hickey
- Creates in the NMFA the Venture Capital Program Fund and authorizes the NMFA Board to:
  - make investments in **New Mexico businesses** that enhance economic development objectives of the state and create new job opportunities
  - Investments are made for the purpose of providing capital for start-up, expansion, product or market development, recapitalization or early-stage development. Investments are made as equity or debt through:
    - **Direct Investment**
    - **Venture private equity funds** – an entity that makes, manages or sources potential investments. Has at least one full-time, experienced manager
  - Report annually on investment activity and economic development impact
- \$35 million appropriated in FY2022 & \$15 million from 2023's HB2

## ◆ Investment Parameters:

- Benefiting companies must be **New Mexico businesses** –
  - principal office/place of business located in New Mexico and
  - majority of full-time employees or 80% of assets located in New Mexico
- Investment in one business cannot to exceed 10%
- Investment in one industry cannot to exceed 30%
  
- ◆ NMFA will operate the Venture Capital Program Fund with the assistance of a professional Investment Consultant scheduled to be approved at the June NMFA Board Meeting
  - Draft Rules and proposed investment strategy reviewed by NMFA Board in April 2023
  - NMFA is soliciting public input on draft rules and elements of proposed strategy
  - Final Rules & Investment Policy expected to be adopted by NMFA Board in June 2023
  - First Investment expected in July 2023
  
- ◆ In January, NMFA selected two experienced Investment Managers through a competitive procurement process

# Venture Capital Program Roles & Responsibilities

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Agency			
Program Size*	~\$640 million	~\$20-60 million	~\$35-50 million
Strategy	<ul style="list-style-type: none"> <li>• Pre-seed through Series A, Equity</li> <li>• Sector focus on Technology/tech transfer; Frontier Technologies</li> <li>• Best-in-class manager selection</li> </ul>	<ul style="list-style-type: none"> <li>• Early to later stage, Equity</li> <li>• NMEDD focus sectors: aerospace, biosciences, cybersecurity, film/TV, outdoor recreation, sustainable ag., intelligent manufacturing, global trade, sustainable &amp; green economy</li> <li>• Target businesses owned by socially and economically disadvantaged individuals (SEDI) and very small businesses (VSB)</li> </ul>	<ul style="list-style-type: none"> <li>• Early through growth, Equity and/or alternative instruments (revenue-based financing, venture debt)</li> <li>• Diversified sectors</li> <li>• Target underserved entrepreneurs and communities</li> <li>• Leverage new private investors (e.g., impact investors and foundations)</li> </ul>
Structure	<ul style="list-style-type: none"> <li>• Four approaches including VC Fund investments, VC Fund-of-Funds for emerging NM managers, and direct investment pools</li> </ul>	<ul style="list-style-type: none"> <li>• VC Fund-of-funds focusing on established and emerging NM managers               <ul style="list-style-type: none"> <li>– \$20m must deploy every three years</li> <li>– \$1.7m of additional technical assistance</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• New local Funds with differentiated strategies: (1) traditional VC into more diversified sectors; (2) non-traditional VC</li> <li>• Additional TBD</li> </ul>
\$ Returns	Venture capital market-rate returns	Capital preservation	Capital preservation
Impact	<ul style="list-style-type: none"> <li>• #, \$ invested in new/NM companies</li> <li>• Employment (# jobs, payroll)</li> <li>• \$ Co-invested by outside investors</li> </ul>	<ul style="list-style-type: none"> <li>• At least 57% of portfolio deployed to SEDI and 6% to VSB</li> </ul>	<ul style="list-style-type: none"> <li>• #, \$ invested in new/NM companies</li> <li>• Employment (# jobs, salaries, industry, benefits, demographic served)</li> <li>• \$ Co-invested by outside investors</li> </ul>

\*NMPEIP total value of active commitments as of 11/2022; EDD size excludes \$9m allocated to collateral support

	<b>Next Street / Mission Driven Finance</b>	<b>Sun Mountain Capital</b>
<b>Offices</b>	Chicago, New York / San Diego	Santa Fe, Seattle, Madison, Mexico City
<b>Incepted</b>	2005 / 2016	2006
<b>Employees</b>	68 / 25	9
<b>Description</b>	Next Street and Mission Driven Finance represent a mission-driven partnership with deep knowledge of community development, capital markets, and investment vehicles, and a shared vision to transform how capital is delivered to underserved communities	Sun Mountain Capital is an investment manager focusing on geographically targeted, mission driven investment programs led by experienced investment professionals with global expertise as investors and entrepreneurs
<b>Current AUM</b>	\$80 million under management/administration	\$700 million
<b>SEC Status</b>	Exempt Investment Advisor; plans to register in 2023	Registered Investment Advisor
<b>Client Types</b>	Corporations, CDFIs, Government, Foundations, Private Institutions	Government, Development Banks, Private Institutions, HNWI
<b>Asset Classes</b>	Private Equity, Private Debt, Real Assets, Equity-like Debt (Revenue-Based Financing)	Private Equity, Private Debt
<b>Strategies</b>	Direct equity and debt in target geographies (over 20 US cities/states) or sectors/themes (inclusive entrepreneurship; early childhood; immigrants and refugees; environmental justice)	Venture capital fund-of-funds and direct investments in target geographies (New Mexico, Wisconsin, Mexico); Sector expertise in technology and technology transfer

Source: Offeror presentations and websites ([Next Street](#), [Mission Driven Finance](#), [Sun Mountain Capital](#))