



*Presentation to the  
Legislative Finance Committee*



***NEW MEXICO FINANCE AUTHORITY  
FY 2020 BUDGET OVERVIEW***

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November 1, 2019

# *New Mexico Finance Authority*

2

- ◆ NMFA was created in 1992 as a governmental instrumentality to coordinate the planning and financing of State and local public projects
- ◆ NMFA has a staff of 44 positions, including a Chief Executive Officer
- ◆ NMFA's annual budget, bond issuance and all loan and grant agreements are approved by the NMFA Board
- ◆ NMFA has established itself as a key player in infrastructure financing in New Mexico through a number of public and private lending and grant programs, all of which are operated as separate enterprises of the organization
- ◆ NMFA is authorized to operate 16 programs; ten are active today
- ◆ The largest of these programs is the PPRF. It accounts for most of NMFA's financial activity, including 87.3% of NMFA's operating revenues and 92.2% of the total loan portfolio of \$1.5 billion

# ***NMFA Board of Directors***

3

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## **David A. Martinez**

Member

# 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	

✓ Active

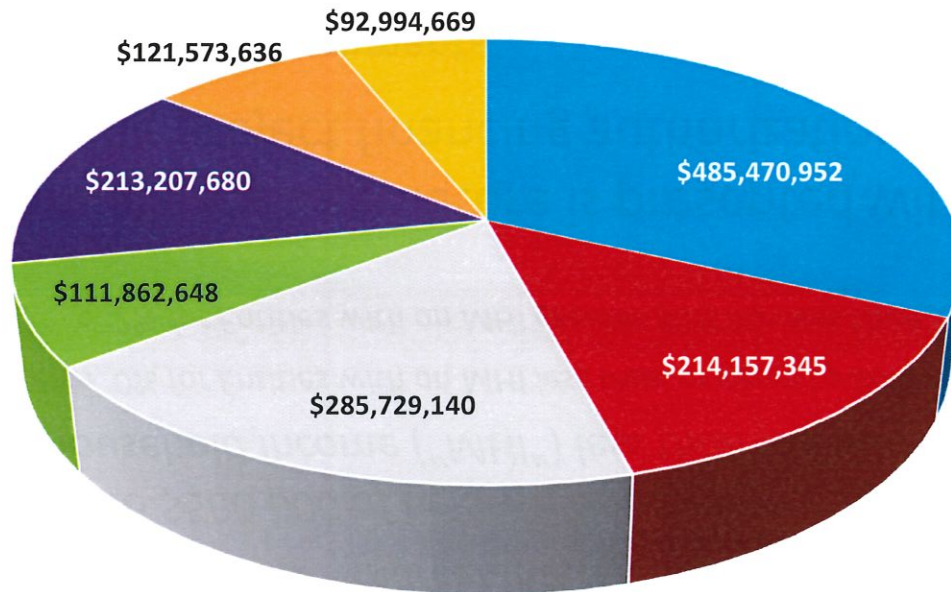
# Public Project Revolving Fund

5

- ◆ Low-cost financial assistance for capital equipment, building and infrastructure projects
  - ❖ *Standard Rate –market interest rates (based on PPRF’s high 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*
  
- ◆ Annually the Legislature is presented with a list of Qualified entities seeking project financing authorization. Qualified entities include:
  - ❖ Local Governments
  - ❖ State Agencies
  - ❖ Public Schools
  - ❖ Volunteer Fire Districts
  - ❖ Tribal Governments
  - ❖ Higher Education Institutions
  - ❖ Special Districts

# PPRF Outstanding Portfolio by Client Type

6



■ Municipality    ■ County    ■ School District    ■ Higher Education  
■ State Agency    ■ Tribal    ■ Special District

NMFA is legally authorized to 'intercept' tax revenue for loan repayment directly from the NM Taxation and Revenue Department or the NM State Treasurer's Office. Approximately 62% of 2019 Loan Revenue has an intercept agreement in place.

*The PPRF has funded over 1,527 loans totaling over \$3.4 billion to qualified entities. The chart above represents 852 outstanding loans totaling \$1.5 billion as of July 31, 2019*

## ***Public Project Revolving Fund***

7

- ◆ NMFA makes loans with cash on hand and replenishes the PPRF through periodic bond issuances. Generally:
  - ❖ *Loans of less than \$10 million are closed and priced independently of PPRF bond issues*
  - ❖ *Loans of \$10+ million are closed and priced simultaneously with a PPRF bond issue*
  - ❖ *To Refinance Callable PPRF bonds for NPV savings of at least 3% or for technical portfolio management reasons*
  - ❖ *PPRF bonds are typically issued with a 10-year Call Option*
- ◆ All PPRF bonds are Fixed Rate – some are Tax-Exempt, some are Taxable
- ◆ Multiple PPRF Revenues and Assets are pledged to all bond issues
- ◆ All PPRF bonds follow a standard approval process
- ◆ PPRF bonds are issued approximately quarterly

# Public Project Revolving Fund

8

## ◆ PPRF high bond rating continue:

### ❖ *Standard & Poor's*

- ❖ *Senior Lien AAA (since 2011)*
- ❖ *Subordinate Lien AAA (since 2017)*

### ❖ *Moody's Investor Series*

- ❖ *Senior Lien AA1 (since 2010)*
- ❖ *Subordinate Lien AA2 (since 2017)*

## ◆ High ratings derived from:

- ❖ *Governmental Gross Receipts Tax distributions pursuant to State statute that directs 75% of the GGRT to the PPRF to enhance the program*
- ❖ *Debt service reserve funds*
- ❖ *State intercepts of revenue pledged to PPRF debt*
- ❖ *No PPRF loan defaults ever*
- ❖ *Loan revenue + GGRT = 1.35x debt service coverage*

## ◆ High ratings drive very competitive loan rates for PPRF borrowers

## ◆ Competitive loan rates depend on large institutional investors

## ◆ PPRF bonds attract elite investors



# Calendar Year 2019 NMFA Bond Issues

## Recent PPRF Bond Investors

## Calendar Year 2019 NMFA Bond Issues

	Series	Description	Par Amount	Closed
❖ <i>Blackrock</i>	2019A	Subordinate Lien Tax Exempt	37,145,000	Feb-19
❖ <i>JP Morgan</i>	2019B	Senior Lien Tax Exempt	43,870,000	Jun-19
❖ <i>Goldman Sachs</i>	2019C-1	Subordinate Lien Tax Exempt	18,930,000	Jun-19
❖ <i>Breckinridge</i>	2019C-2	Subordinate Lien Taxable	12,480,000	Jun-19
❖ <i>Travelers/St. Paul</i>	2019D	Senior Lien Tax Exempt	53,260,000	Sep-19
❖ <i>Northern Trust</i>	<b>Subtotal</b>		<b>165,685,000</b>	
❖ <i>Vanguard</i>		Plus Premiums	28,637,000	
❖ <i>Nuveen/TIAA</i>		Less Refunding	(14,322,000)	
❖ <i>Allstate</i>		<b>Total New Bond Financing</b>	<b>180,000,000</b>	

## *Drinking Water State Revolving Loan Fund*

10

- ◆ NMFA's second largest program. To date, NMFA has received \$200 million in federal capitalization grants and has provided \$40 million in state match
  - ❖ *All of the state match and 69% of the federal grants (in total, approximately \$93.7 million) has been deposited into the DWSRLF*
  - ❖ *NMFA has made approximately 142 loans totaling \$214 million with an additional 6 loans totaling \$5.6 million pending*
  - ❖ *As of June 30, 2019, NMFA was servicing 96 DWSRLF projects totaling \$88.3 million*
- ◆ DWSRLF offers low-cost financial assistance to drinking water projects that have been evaluated and prioritized by NMED
- ◆ Based upon availability of funding, up to 75% of the funds may be delivered as Principal Forgiveness which offers grant-like terms. This subsidy is allocated to projects on the Fundable Priority List in the order prioritized

## *Water Project Fund*

11

- ◆ Funded from an annual \$4 million distribution from the Water Trust Fund and 9% of Senior Severance Tax Bonds (STB), less 10% which is appropriated to the Office of the State Engineer for Adjudication
- ◆ NMFA administers the Water Project Fund and the provides staff support to the 16-member Water Trust Board
- ◆ NMFA makes grants and loans for a wide variety of water projects recommended by the Water Trust Board and authorized by Legislature
- ◆ To date, 355 awards totaling \$406.96 million have been made to 151 entities statewide
- ◆ Thru September 30, 2019, 91% of the awarded funds have been drawn and 311 projects (87%) certified as complete

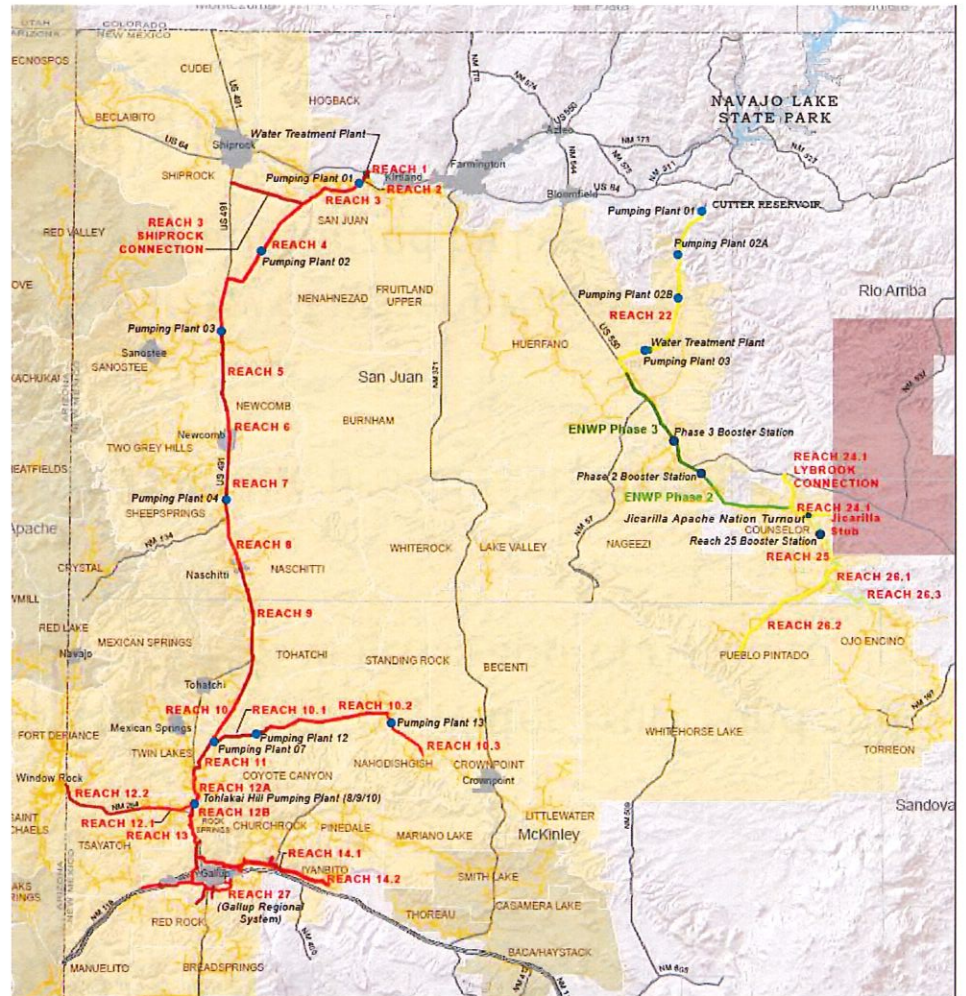
# Navajo Gallup Water Supply Project

12

The largest recipient of Water Project Funds, this regional 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

12 awards totaling \$35,986,203 made

- ❖ *25% of the funds delivered as loans*
- ❖ *75% of the funds delivered as grants*
- ❖ *11 of the 12 awards have been secured and 99% drawn*
- ❖ *2019 award of \$2,868,106 has not yet been secured*



# ***Statewide Economic Development Finance Act***

13

- ◆ 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
- ◆ NMFA is partnered with the NM Economic Development Department in operating the programs authorized under SWEDFA
- ◆ Currently, NMFA operates two programs under SWEDFA
  - ❖ ***Loan Participations:*** SWEDFA created in the NMFA the Economic Development Revolving Fund. Currently NMFA uses funds in this program to buy loan participations
  - ❖ ***New Markets Tax Credits:*** 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

## ***New Markets Tax Credits***

14

- ◆ 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 been very successful in securing federal NMTC allocations. In June, NMFA received its fifth NMTC award, bringing the total received to \$286 million. NMFA just filed an application for additional allocation; award announcements are expected in Summer 2020
- ◆ At the October 2019, the NMFA Board approved two NMTC transactions
  - ❖ ***McKinley Paper, Prewitt, NM:*** \$10 million NMTC financing will fund the acquisition of equipment that will modernize the recycled paper manufacturer. Total project costs now estimated at \$20 million
  - ❖ ***Laguna Health Corporation Project, Paraje, NM:*** \$10 million NMTC financing will support the construction and start up of a 15,000 sf health clinic. Total project costs now estimated at \$12 million

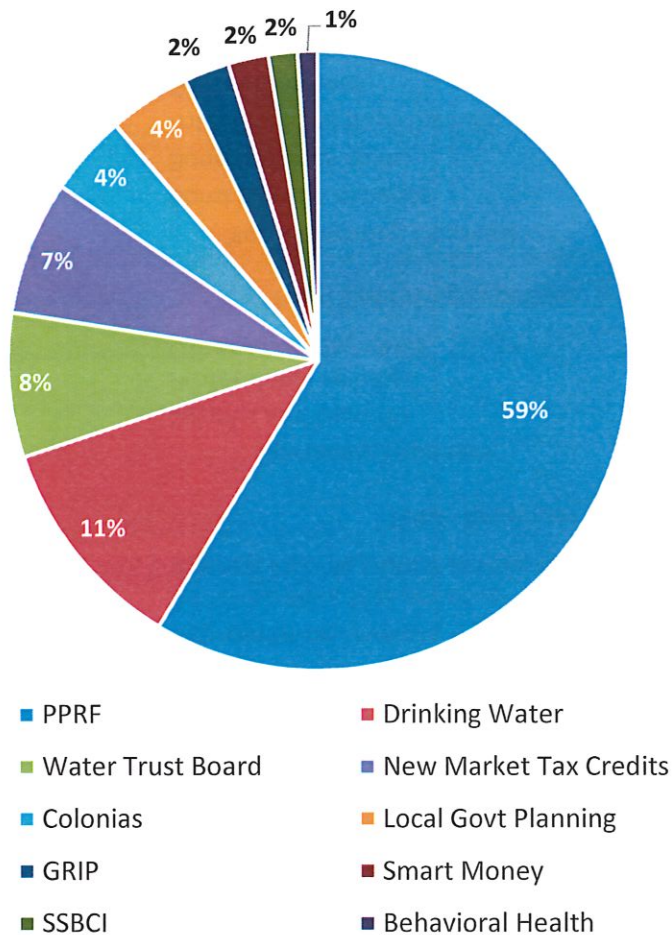
## New Mexico Finance Authority

### Budget for Fiscal Years 2018 thru 2020

	FY 2018 Actual	FY 2019 Budget      Actual		FY 2020 Budget	FY 2020 Budget to FY19 Actual	FY 2020 Budget to FY19 Budget
<b>Revenues</b>						
Interest income from loans	\$ 52,732,085	\$ 50,600,000	\$ 50,625,953	\$ 51,600,000	2%	2%
Grant Revenue	40,589,738	44,338,400	31,452,200	44,600,000	42%	1%
Appropriation revenue	36,463,733	38,100,000	42,953,352	38,900,000	-9%	2%
Administrative fees revenue	5,460,694	3,488,000	6,403,922	3,500,000	-45%	0%
Interest income from investments	2,964,201	1,190,000	7,919,934	2,850,000	-64%	139%
<b>Total Revenues</b>	<u>\$ 138,210,451</u>	<u>\$ 137,716,400</u>	<u>\$ 139,355,361</u>	<u>\$ 141,450,000</u>	2%	3%
<b>Operating Expenses</b>						
Salaries and benefits	4,110,925	5,037,392	4,647,382	5,338,536	15%	6%
Professional services	2,155,028	3,267,697	2,800,189	3,556,750	27%	9%
Other operating costs	1,412,046	1,340,109	870,936	1,068,699	23%	-20%
<b>Total Operating Expenses</b>	<u>\$ 7,677,999</u>	<u>\$ 9,645,198</u>	<u>\$ 8,318,507</u>	<u>\$ 9,963,985</u>	20%	3%
<b>Non-Operating Expenses</b>						
Bond interest expense	45,522,536	47,000,000	57,138,658	47,000,000	-18%	0%
Bond issuance costs	1,971,034	2,000,000	1,640,333	2,000,000	22%	0%
Loan financing pass-through	7,059,254	7,000,000	12,943,547	7,000,000	-46%	0%
Grants to others	36,143,867	37,550,000	34,104,721	37,910,000	11%	1%
Provision for loan losses	534,614	-	(840,297)	-		
Other Expense		80,000	77,933	180,000	131%	125%
Capital Expenditures	21,024	75,000	420,759	276,000	-34%	268%
Interest expense	331,022	-	266,620	150,000	-44%	
<b>Total Non-operating Expenses</b>	<u>\$ 91,583,351</u>	<u>\$ 93,705,000</u>	<u>\$ 105,752,274</u>	<u>\$ 94,516,000</u>	-11%	1%
<b>Total Expenses</b>	<u>\$ 99,261,350</u>	<u>\$ 103,350,198</u>	<u>\$ 114,070,781</u>	<u>\$ 104,479,985</u>	-8%	1%
<b>Revenue Over Expenses</b>	<u>\$ 38,949,101</u>	<u>\$ 34,366,202</u>	<u>\$ 25,284,580</u>	<u>\$ 36,970,015</u>	46%	8%

# Operating Fund Allocation by Program

16



Program	Budget	%
PPRF	5,781,014	59%
Drinking Water	1,119,147	11%
Water Trust Board	746,800	8%
New Market Tax Credits	693,635	7%
Colonias	415,233	4%
Local Govt Planning	420,021	4%
GRIP	232,215	2%
Smart Money	205,245	2%
SSBCI	148,856	2%
Behavioral Health	101,787	1%
Primary Care Capital	100,032	1%
	<u>9,863,953</u>	<u>100%</u>

Operating Budget by Category

