Summary:

New Mexico Finance Authority; State Revolving Funds/Pools

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Credit Profile		
US$45.21 mil sr lien pub proj revolving fd rev & rfdg bnds ser 2019B due 06/01/2039		
Long Term Rating	AAA/Stable	New
US$18.725 mil subord lien pub proj revolving fd rev bnds ser 2019C-1 due 06/15/2039		
Long Term Rating	AAA/Stable	New
US$11.675 mil subord lien pub proj revolving fd rev bnds ser 2019C-2 due 06/15/2039		
Long Term Rating	AAA/Stable	New
New Mexico Fin Auth sr lien pub proj revolv fd ser 2000B		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AAA' rating to the New Mexico Finance Authority's (NMFA) series 2019B senior-lien public project revolving fund (PPFR) revenue bonds and series 2019C 1 and 2 subordinate-lien PPRF revenue bonds. S&P Global Ratings also affirmed its 'AAA' rating on the authority's previously issued senior- and subordinate-lien bonds. The outlook is stable.

The rating reflects our view of the combination of a very strong enterprise risk profile score, extremely strong financial risk profile score, and additional positive factors resulting from the following:

- A very strong enterprise risk score, supported by the state's statutory authority for the program;
- An extremely strong financial risk score due primarily to annual coverage generated from loan repayments and government gross receipt taxes (GGRT), supported by strong financial management policies and practices; and
- The application of final adjustments outlined in criteria for exceptionally low default and delinquency rates, coupled with the ability of cash flows to withstand minimal recovery and maintain the minimum loss coverage score to achieve the 'AAA' rating.

Because we view securitizations backed by pools of public-sector assets as highly sensitive to country risk, the rating on the securitization is capped at two notches above the sovereign. However, no specific sovereign default stress is applied, given the U.S. sovereign rating is 'AA+'.

Bond proceeds will either fund or reimburse funds for 27 loans made under the PPRF program. Trust estate revenues secure the senior-lien bonds, and include the authority's 75% portion of statewide GGRT collections and total payments under borrower loan agreements. The subordinate-lien bonds have a subordinate pledge of the trust estate revenues, plus specific borrower loan payments related to the subordinate-lien bonds.

The very strong enterprise risk score is the result of a low industry risk score, which is characteristic of all public finance long-term municipal pool programs, and a very strong market position, reflecting the enabling legislation that created the authority and the current management structure, along with ongoing support provided by the state through the disbursements of its GGRT. In 1992, the New Mexico legislature established the authority, which coordinates the planning and financing of state and local public projects. The authority is composed of 11 members, who serve as the governing body. An executive committee provides oversight and direction relating to the authority's operations.

The extremely strong financial risk profile results from the program's ability to absorb a very high level of defaults. This is due to ongoing GGRT revenue and the availability of $31.6 million in the common debt service reserve fund and $31.5 million in the supplemental credit reserve fund. Loan revenues plus GGRT revenues are projected to provide annual senior-lien debt service coverage of at least 1.3x. The excess coverage is then available to cover subordinate-lien debt service, although annual subordinate-lien loan revenue alone is projected to provide just over 1.0x coverage of subordinate-lien debt service in the early years.

About $913 million of senior-lien and $358 million of subordinate-lien bonds (including the series 2019B and C bonds) are outstanding. The entire senior- and subordinate-lien loan portfolio consists of 860 loans to about 830 borrowers with aggregate loan balances outstanding of $1.5 billion. The leading borrowers, in terms of loan amount outstanding, include the state's General Services Department ($143 million, 9%), Rio Rancho ($94 million, 6%), Santa Fe ($90 million, 6%), Jicarilla Apache Nation ($55 million, 4%), and the New Mexico Spaceport Authority ($49 million, 3%). There have been no defaults in the program's history. As a further enhancement, about 62% of the loan payments are subject to an intercept of state funds.

In addition to loan repayments, a steady stream of GGRT revenues support the bonds. Authority management routinely projects annual receipts will remain stable. GGRTs have declined only three times in the past 20 years. Collections for 2018 reflect a 6.5% growth rate to about $31.3 million. Under a no-default scenario, these revenues are passed through the PPRF program for other authority programs.

We generally consider program management policies adequate to strong. There are formal loan application guidelines, with an evaluation of credit risks undertaken. Borrowers are required to submit annual financial statements, although not every financial report may be reviewed annually. To guard against any timing risks, loan payments arrive monthly. In addition, approved investment guidelines match the state's investment policies.

Outlook

The stable outlook reflects our expectation for continued stable borrower credit quality and timely borrower loan repayment, coupled with steady GGRT revenues. Neither the enterprise risk nor the financial risk profile scores are likely to change given our opinion of the stability of revenues; therefore, we do not anticipate a negative rating action in the short or medium term.

However, should there be a sizable reduction in over-collateralization provided by GGRT or if management begins to experience either delinquent or defaulted loan repayments, then we would likely lower the ratings.

Ratings Detail (As Of May 28, 2019)

Ratings Detail (As Of May 28, 2019) (cont.)		
New Mexico Fin Auth SRFPOOL sr lien		
Long Term Rating	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL subord lien		
Long Term Rating	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL subord lien		
Long Term Rating	AAA/Stable	Affirmed
New Mexico Fin Auth SRFPOOL subord lien		
Long Term Rating	AAA/Stable	Affirmed
New Mexico Fin Auth pub proj revolving fd rev bnds		
Unenhanced Rating	AAA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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