



NEW MEXICO  
**FINANCE AUTHORITY**

# ***NMFA Programs, Structure and Budget***



**PRESENTATION TO THE  
LEGISLATIVE FINANCE COMMITTEE**

**ROBERT P. COALTER, CEO  
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# *NMFA Purpose*

## 2

In 1992, the New Mexico State Legislature created the New Mexico Finance Authority to coordinate the planning and financing of state and local public projects, to provide for long-term planning and assessment of state and local capital needs and to improve cooperation among the executive and legislative branches of state government and local governments in financing public projects.

Over the years, the purpose was expanded to include financing of economic development and other community development projects.

# ***NMFA Board of Directors***

3

**John E. McDermott - Chair**  
McDermott Advisory Services

**William Fulginiti – Vice Chair**  
Executive Director  
New Mexico Municipal League

**Matt Geisel**  
Cabinet Secretary-Designate  
New Mexico Economic Development Department

**Katherine Ulibarri – Treasurer**  
VP, Finance & Operations  
Central NM Community College

**Steve Kopelman**  
Executive Director  
New Mexico Association of Counties

**Tony Delfin - Secretary**  
Acting Cabinet Secretary  
Energy, Minerals & Natural Resources Department

**Duffy Rodriguez**  
Cabinet Secretary  
Department of Finance & Administration

**Blake Curtis**  
CEO  
Curtis & Curtis, Inc.

**Butch Tongate**  
Cabinet Secretary  
New Mexico Environment Department

# ***Mission Based Financing***

4

NMFA meets its mission of helping New Mexico's communities by providing access to capital through mission-based funding in three primary areas:

## **Infrastructure and Capital Equipment Projects**

- ❖ Public Project Revolving Fund
- ❖ Local Government Planning Fund
- ❖ Colonias Infrastructure Project Fund

## **Water**

- ❖ Drinking Water State Revolving Loan Fund
- ❖ Water Project Fund
- ❖ Acequia Project Fund

## **Community Facilities and Economic Development**

- ❖ Primary Care Capital Fund
- ❖ Behavioral Health Capital Fund
- ❖ New Markets Tax Credit Program
- ❖ Smart Money Loan Participation Program
- ❖ Collateral Support Participation Program (SSBCI)

# Public Project Revolving Fund

5

- ◆ NMFA’s “flagship” program
- ◆ Established in 1992 through the New Mexico Finance Authority Act 6-21-6.0 (SB 172, Sponsored by Sen. Eddie Lopez)
- ◆ Low-cost financial assistance for capital equipment, building and infrastructure projects
  - ❖ *Standard Rate – Tax-exempt market interest rates (based on PPRF’s ‘AAA’/Aa1 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*
- ◆ The NMFA annually presents to the Legislature a project authorization list which allows NMFA to meet the project timing needs of New Mexico’s communities

# ***Public Project Revolving Fund***

6

## **◆ Qualified entities include:**

- ❖ *Local Governments*
- ❖ *State Agencies*
- ❖ *Pubic School*
- ❖ *Volunteer Fire Districts*
- ❖ *Tribal Governments*
- ❖ *Higher Education Institutions*
- ❖ *Special Districts*

## **◆ NMFA staff work with local officials in the following areas:**

- ❖ *Credit and debt capacity analyses*
- ❖ *Loan structuring assistance*
- ❖ *Evaluation of refinancing opportunities*

# Public Project Revolving Fund

7

- ◆ **PPRF's high bond ratings are more important now than ever before**
  - ❖ *Municipal bond market changed profoundly over past several years*
  - ❖ *Unprecedented level of scrutiny and oversight by federal regulators*
  - ❖ *Enforcement actions by the SEC and IRS are likely to increase*
  - ❖ *Smallest systems will likely be hit the hardest*
  - ❖ *Recent demand for the PPRF by higher rated issuers anticipating rating downgrades indicates market volatility and flight to quality*
  - ❖ *Borrower's ability to improve ratings with bond insurance is limited*
  
- ◆ **The Contingent Liquidity Account is a key component to the PPRF**
  - ❖ *Serves as a rating credit enhancement of the PPRF*
  - ❖ *Ensures the availability of funds for the most economically disadvantaged New Mexico communities during periods of market disruption (i.e. 2008 and 2012)*

# ***Local Government Planning Fund***

8

- ◆ Created in 2002 as New Mexico Finance Authority Act 6-21-6.4 (SB 40, Sponsored by Sen. Campos)
- ◆ Provides upfront capital to allow for proper planning of vital water and wastewater projects
- ◆ Initially, statute required that entity repay “grant” if funding for project was received; this provision was eliminated in 2012
- ◆ Program broadened twice in statute
  - ❖ *2005: Master plans, Conservation plans & Economic Development plans*
  - ❖ *2012: All Infrastructure plans*
- ◆ Changes to rules in 2014 increased access to the Fund

# ***Colonias Infrastructure Project Fund***

9

- ◆ Created in 2010 by the Colonias Infrastructure Finance Act 6-30-1.0 (SB 279, Sponsored by Sen. Papen)
- ◆ Provides capital to infrastructure projects in designated Colonia communities
- ◆ 6.5% of the Senior Severance Tax Bonds were appropriated to Colonias projects in FY 2016. Senate Bill 8 from 2016 Special Session reduced the percentage of STBs directed to Colonias to 4.5% beginning with the FY 2017 cycle
- ◆ Overseen by the Colonias Infrastructure Board which is administered by the NMFA
- ◆ With five funding cycles to date, the Colonias Board approved 155 awards totaling approximately \$70 million and leveraging an additional \$45 million in federal funds

# *Drinking Water State Revolving Loan Fund*

10

- ◆ Established in 1998 through the Drinking Water State Revolving Loan Fund Act 6-21A-4 (HB 592, Sponsored by Rep. Gary King)
- ◆ Low-cost financial assistance for construction and improvements to drinking water facilities
- ◆ State Revolving Loan Fund capitalized by:
  - ❖ *\$180 million in federal awards*
  - ❖ *\$34.9 million in state match*
  - ❖ *\$46.9 million in interest and loan repayments*
- ◆ NMFA and the New Mexico Environment Department (NMED) administration of the program in partnership. NMED quarterly publishes a Fundable Priority List, and NMFA accepts applications from the list in the order in which they are given
- ◆ To date, NMFA has made 100 loans totaling more than \$178 million with an additional 15 loans totaling \$17 million pending

# *Water Project Fund*

11

- ◆ Established in 2002 through the Water Project Finance Act 2-4A-9 (HB 534, Sponsored by Rep. Joe Stell)
- ◆ Funded from an annual distribution from the Water Trust Fund and 10% of Senior Severance Tax Bonds (STB). Senate Bill 8 from 2016 Special Session reduces the STB distribution to 9%
- ◆ Provides grants and low-cost loans for five types of water projects:
  1. *Water storage, conveyance and delivery projects;*
  2. *Water conservation or treatment, recycling, or reuse projects;*
  3. *Watershed restoration and management projects;*
  4. *Flood prevention projects;*
  5. *Endangered Species Act (ESA) collaborative projects*
- ◆ NMFA makes grants and loans recommended by the 16-member Water Trust Board and authorized by Legislature

# ***Acequia Project Fund***

12

- ◆ Created in 2004 by amending the Water Project Finance Act 72-4A-9.1 (SB 87, Sponsored by Sen. Cisneros)
- ◆ Funded to date with \$200,000 in donations from the Healy Foundation
- ◆ NMFA makes grants recommended by 16-member Water Trust Board and authorized by Legislature
- ◆ Under current policy, Acequia Project Fund grants are used for planning projects only
- ◆ Approximately \$25,000 currently available for new projects

# *Primary Care Capital Fund*

13

- ◆ Established in 1994 through the Primary Care Capital Funding Act 24-1C-4 (HB 702, Sponsored by Rep. Olguin)
- ◆ NMFA and Department of Health jointly administer the program
- ◆ Funds directed to non-profit primary care clinics in rural and medically underserved communities
- ◆ These are 3% interest rate loans:
  - ❖ *Equipment - 10 year terms*
  - ❖ *Land & Buildings – up to 20 year terms*
- ◆ Up to 20% of annual principal and interest is forgiven in exchange for services rendered to indigent patients
- ◆ Initially capitalized by a \$5 million General Fund appropriation. To date, NMFA has made 19 loans totaling more than \$11.5 million

# ***Behavioral Health Capital Fund***

14

- ◆ Established in 1994 through the Behavioral Health Capital Funding Act 6-26-4 (SB 284, Sponsored by Sen. Papen)
- ◆ Similar to Primary Care Capital Fund
- ◆ Jointly operated by NMFA and Human Services Department
- ◆ Finance capital needs of small non-profit behavioral health clinics with assets of \$10 million or less
- ◆ Funds directed to clinics in rural and medically underserved communities
- ◆ SB 52 from 2005 Legislature authorized NMFA to capitalize fund with \$2.5 million from Cigarette Tax Revenue Bonds

# ***New Markets Tax Credits***

15

- ◆ Operated under the Statewide Economic Development Finance Act which was amended in 2006 to explicitly allow NMFA to participate in NMTCs by HB 277 (Rep. Lundstrom)
- ◆ NMFA partnered with NM Community Capital to form Finance New Mexico, LLC, which was certified by the US Dept. of Treasury as a Community Development Entity in 2006
- ◆ Finance New Mexico has received three allocations of federal NMTCs totaling \$201 million; approximately \$22.5 million of available tax credit authority
- ◆ The program uses an Advisory Board composed of community leaders from across the state to ensure investments benefit low income persons
- ◆ Financings may only occur in federally designated low income communities as determined by census tract

# *Economic Development Revolving Fund*

16

- ◆ The EDRF is divided into State and Federal Appropriations:
  - ◆ \$5.1 million in net State Appropriations
    - ❖ \$10 million General Fund appropriation in 2005 (\$5 million reverted to the State 2010)
    - ❖ \$2 million appropriation in 2007 (\$1.9 million reverted to the State in 2011)
  - ◆ \$8,168,350 in Federal funds received through the State Small Business Credit Initiative
- ◆ Federal appropriation allows NMFA to participate with private borrowers in a subordinate collateral position. \$9.2 million of loans to 19 projects approved to date.

# *Smart Money Initiative*

17

- ◆ Established in 2003 via the Statewide Economic Development Finance Act 6-25-1 (SB 934, Sponsored by Sen. Aragon)
- ◆ Allows NMFA to purchase interest in loans from banks to private for-profit and not-for-profit entities if in exchange borrowers agree to hire a specific number of employees
- ◆ NMFA may purchase up to 49% interest in any one loan if borrower agrees to create at least 1 job per \$50,000 borrowed
- ◆ Five loans made totaling \$5.6 million with a loan pending for approximately \$1.6 million for the remaining balance in the fund
- ◆ Loans demonstrate geographic and industry diversity with loans to date in Alamogordo, Raton, Las Vegas, Hobbs and Las Cruces

# ***Collateral Support Participation Program***

18

- ◆ Same rules and statute as Smart Money
- ◆ In June 2011, the NMFA signed an MOU with the NM Economic Development Department to administer \$13.2 million in funding through the Federal Small Business Jobs Act of 2010
- ◆ Overseen by the US Dept. of Treasury
- ◆ Program serves to increase the flow of capital to small businesses
- ◆ The State is required to leverage 10 private dollars for each Federal dollar by December 31, 2016
- ◆ In January 2016, Dept. of Treasury approved transfer of \$5 million to seed a fund of funds venture program operated by Sun Mountain Capital

# ***Why Bank Loan Participations?***

19

- ◆ Allow NMFA to participate in a business loan by buying a portion of a loan made by a local bank
- ◆ Allow NMFA to partner with, not compete against, local banks to finance New Mexico businesses
- ◆ Bank applies to the NMFA on behalf of a business by submitting the information used to reach its lending decision
- ◆ New Mexico businesses' financing gaps filled and costs lowered
- ◆ Bank originates and services the loan as it otherwise would

# Loans Receivable by Program

20

	Projects Closed FY16		Projects Closed FY15	
PPRF	236,937,208	67	149,246,396	49
Planning Grants	1,301,765	32	2,151,440	43
Colonias	18,020,574	37	12,137,558	33
Drinking Water	18,456,843	10	\$9,009,211	9
Water Project Fund	44,919,505	37	24,080,686	24
Behavioral Health	-	0	1,200,000	1
NMTC	7,750,000	1	-	0
Collateral Support	1,321,668	2	1,601,424	4
<b>Total</b>	<b>\$ 326,687,563</b>	<b>186</b>	<b>\$ 199,426,715</b>	<b>163</b>

# ***FY 2017 Budget Highlights***

21

- Decreased a net of 3.7% (\$339,810) from the FY16 budget, primarily from non-personnel services.
- Personnel services will increase a net of 1% for two new positions (Compliance Officer and Water Programs Manager) bringing the number of budgeted positions to 42.
- Non-Personnel services cut by 7%

# NMFA 2016 and 2017 Budget

22

<u>REVENUES</u>	Budget FY16	Actual FY16	Budget FY17	Budget FY17 to Actual FY16	Budget FY16 to Budget FY17
Administration fee revenue	3,939,407	3,532,578	3,697,400	4.7%	-6.1%
Interest revenue bonded loans	47,970,000	48,745,502	49,955,000	2.5%	4.1%
Interest on equity loans	2,810,650	2,989,052	2,055,500	-31.2%	-26.9%
Interest income from investments	990,100	1,548,383	1,575,900	1.8%	59.2%
Appropriation revenue	41,569,000	33,127,880	38,849,900	17.3%	-6.5%
Grant revenue	62,426,632	56,602,985	57,650,000	1.8%	-7.7%
<b>Total Revenues</b>	<b>159,705,789</b>	<b>146,546,379</b>	<b>153,783,700</b>	<b>4.9%</b>	<b>-3.7%</b>
<b><u>EXPENDITURES</u></b>					
<b>Operating Expenses</b>					
Personnel services	4,966,146	4,515,207	4,915,065	8.9%	-1.0%
Professional services	2,741,100	2,693,081	2,594,200	-3.7%	-5.4%
Operating costs	1,410,298	1,104,879	1,268,470	14.8%	-10.1%
<b>Total - Operating Expenses</b>	<b>9,117,544</b>	<b>8,313,167</b>	<b>8,777,735</b>	<b>5.6%</b>	<b>-3.7%</b>
<b>Non-Operating Increases (Decreases)</b>					
Capital Outlay	(14,300,000)	(19,100,000)	(16,200,000)	-15.2%	13.3%
Grants to others	(55,378,969)	(44,860,328)	(61,810,089)	37.8%	11.6%
Transfers to other agencies	(5,805,000)	(22,227,594)	(9,535,000)	-57.1%	64.3%
New loans	(25,237,677)	(11,776,862)	(7,202,018)	-38.8%	-71.5%
Bond/Loan interest Expense	(48,366,599)	(51,154,490)	(48,258,858)	-5.7%	-0.2%
Bond Issuance Expense	(1,500,000)	(1,525,161)	(2,000,000)	31.1%	33.3%
<b>Net other increases (decreases)</b>	<b>(150,588,245)</b>	<b>(150,644,435)</b>	<b>(145,005,965)</b>	<b>-3.7%</b>	<b>-3.7%</b>
<b>Excess (deficit) revenues over expenses</b>	<b>\$ -</b>	<b>\$ (12,411,223)</b>	<b>\$ -</b>		