



NEW MEXICO
FINANCE AUTHORITY

Fiscal Year 2015 Budget

Basis of Budgeting

The budget and financial statements of the New Mexico Finance Authority (Authority) have been prepared using the economic resources measurement focus and the accrual basis of accounting. All of the Authority's activities, except those in which the Authority acts as an agent, are reported as an enterprise fund. Enterprise funds are used for activities for which a fee is charged to external users for goods and services. The Authority budgets on a line item basis. The line item budget¹ separately lists all expenditure and revenue categories for each program, along with the dollar amounts budgeted for each specified category. Authority programs prepare budget requests taking into consideration requirements, mandates, infrastructure maintenance needs, and other elements critical to operations.



Operating Vs. Non-operating

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing financial services in connection with on-going operations. Primary operating revenues includes financing income and fees charged to program borrowers. Operating expenses include interest expense, program support as well as funds granted to others in the form of loan forgiveness and other subsidies to governmental entities.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. Expenses are recorded when they are incurred. Expenses charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the specific funding sources.

Non-operating items consist primarily of governmental gross receipts and other tax distributions reported as appropriations, grant revenue, and transfers-out for excess distributions and reversions of prior year appropriated revenue.

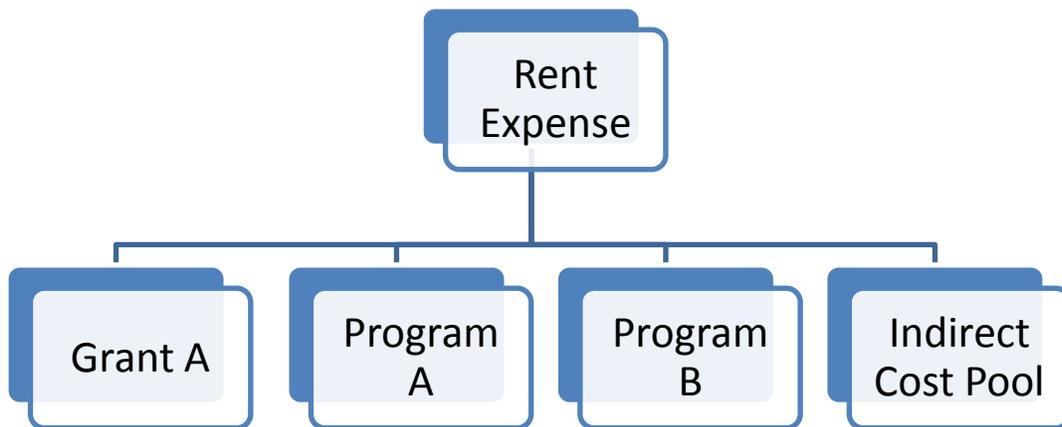
Operating Costs

The Authority has two types of operating costs, direct and indirect. Direct costs are those costs that are directly attributable to a specific program. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final

¹ See Appendix C for chart of accounts

cost objective.² The allocation basis for individual cost elements is the direct allocation basis. The Authority's allocation base for indirect costs is direct salaries including fringe benefits. The distinction between direct and indirect is primarily based on functions performed. For example, when the positions shown are performing functions that are necessary and beneficial to all programs they are indirect. When functions are specific to one or more programs they are direct because they do not benefit all programs.

Joint costs, such as depreciation, rental expense, operation and maintenance facilities, telephone expenses, and the like are prorated individually as direct costs to each category and to each award or other activity using a base most appropriate to the particular cost being prorated. A pictorial example of the proration of rental expense is shown below:



Allocation of resources by function³

The majority of the Authority's employees direct charge their salary costs since their work is specifically identifiable to specific grants, contracts, or other activities of the organization.

Auditable timesheets which reflect the actual activities of employees are maintained to support the mix of direct/indirect charges.

² OMB Circular A-122 (2 CFR Part 230)

³ Allocation by position may be found in Appendix A

Major Public Projects



Public Projects Revolving Loan Fund (PPRF)

Created in 1994, the PPRF is used to assist a wide range of governmental entities in accessing the capital markets at an all-in cost that is highly competitive and usually more competitive than other financing alternatives available to public entities.

NMFA is an AAA / Aa1 credit (Agency Reports) whose bonds are highly sought by investors allowing NMFA to issue bonds in the capital markets at very attractive rates. NMFA passes the pricing benefits it receives in the public capital markets on to New Mexico communities in the form of loans.

The PPRF is funded primarily through NMFA's share of Government Gross Receipts Tax (GGRT) which provides NMFA approximately \$26 million per year in new capital. The NMFA uses this capital base to make loans to qualified borrowers and then replenishes the fund by issuing tax-exempt, tax-subsidized, and taxable bonds that are secured by the loans.



Where does the money come from?

Funds for this program come from three sources: Governmental Gross Receipts tax distributions which approximate \$26 million, Loan principal and interest repayments; and processing and administrative fees charge to borrowers.

| Fiscal year | GGRT | Repayments | Fees |
|-------------|--------------|---------------|-------------|
| 2014 | \$27,297,697 | \$210,119,940 | \$4,256,289 |
| 2013 | \$27,451,328 | \$165,782,957 | \$4,659,473 |
| 2012 | \$26,204,289 | \$279,182,607 | \$4,366,234 |

Updated October 2014

Where does the money go?

Payments on principal and interest not used for bond payments are made available for new loans.

| Fiscal year | Bond Payments | New Loans ⁴ | Operating |
|-------------|---------------|------------------------|-------------|
| 2014 | \$197,253,000 | \$72,825,298 | \$3,984,855 |
| 2013 | \$130,162,663 | \$61,210,086 | \$4,164,223 |
| 2012 | \$188,345,889 | \$175,023,980 | \$4,630,124 |

Updated October 2014

⁴ Net of new bond issues of \$135 million in fiscal year 2012 and in fiscal year 2014.

PPRF Proposed Budget



Angel Fire Ladder Truck



New Mexico Spaceport Authority

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget |
|-----------------------|----------------------|------------------------|--------------------|
| Personal services | \$2,259,803 | \$2,217,208 | \$2,346,002 |
| Professional services | 1,377,733 | 1,085,939 | 1,369,172 |
| Other costs | 693,640 | 681,708 | 688,731 |
| Totals | \$4,331,176 | \$3,984,855 | \$4,403,905 |

PPRF Costs by Category as a Percent of Total NMFA Budget by Category

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget | 2013 Actuals |
|------------------------------|----------------------|------------------------|-------------|--------------|
| Personal services | 48.60% | 50.97% | 49.39% | 58.54% |
| Professional services | 51.03% | 44.87% | 55.00% | 38.15% |
| Other costs | 53.36% | 52.54% | 51.82% | 57.67% |
| Totals | 50.07% | 49.39% | 51.40% | 52.50% |

Major costs for this program remain fairly steady however, as new programs increase activity, the load on the program will decline. As the largest program for the Authority, with a billion dollar loan portfolio, this program requires approximately 46,000 hours of activity.

| Fiscal Year | Loans Serviced | Bonds Serviced |
|------------------------|-------------------|-------------------|
| 2014 - estimate | \$1,136.6 million | \$1,117.3 million |
| 2013 | \$1,140.5 million | \$1,145.3 million |
| 2012 | \$1,228.2 million | \$1,182.4 million |

This activity includes 1) loan origination, closing, servicing and loan closeout; 2) bonding activities such as preparing information for the official statement, ratings presentations, disclosure compliance, and debt service; 3) accounting and reporting functions including reconciliation of activity, audit confirmation, payroll, invoice processing, budgeting and financial statement presentation.

The Water Trust Board Projects

The 2001 Legislature enacted the Water Project Finance Act which created the Water Project Fund in the New Mexico Finance Authority (NMFA) and charged the NMFA with administration of the Fund and the Water Trust Board (WTB).

Per New Mexico Statute Annotated (N.M.S.A.) 72-4A-5, Board; duties, the WTB responsibilities are to adopt rules governing terms and conditions of grants or loans recommended by the board for appropriation by the legislature from the water project fund, giving priority to projects that have been identified as being urgent to meet the needs of a regional water planning area that has a completed regional water plan that has been accepted by the interstate stream commission; that have matching contributions from federal or local funding sources available; and that have obtained all requisite state and federal permits and authorizations necessary to initiate the project.



Where does the money come from?

Funds for this program come from three sources: Water Trust Fund distributions which are currently \$4 million, annually; ten percent (10%) of the annual New Mexico severance tax bonds proceeds; and repayments from the loan component of projects awarded.

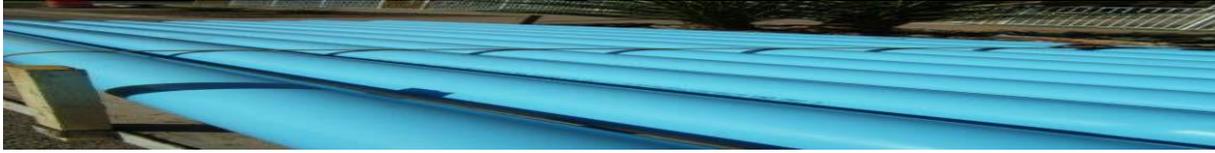
| Fiscal year | Water Project Funds | Severance Bonds Proceeds ⁵ | Repayments |
|-------------|---------------------|---------------------------------------|-------------|
| 2014 | \$4,000,000 | \$33,280,022 | \$1,561,637 |
| 2013 | \$4,000,000 | \$26,415,930 | \$1,243,651 |
| 2012 | \$4,000,000 | \$26,471,302 | \$581,227 |

Where does the money go?

| Fiscal year | Projects | Adjudication | Operating |
|-------------|--------------|--------------|-------------|
| 2014 | \$49,367,422 | \$3,728,002 | \$1,039,851 |
| 2013 | \$48,377,841 | \$3,041,593 | \$719,892 |
| 2012 | \$36,491,696 | \$3,047,130 | \$803,982 |

⁵ Proceeds are available for draw for up to five years therefore the amounts expended may be greater than the amounts received in a given fiscal year

Water Trust Board Proposed Budget



| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget |
|-----------------------|----------------------|------------------------|---------------------|
| Personal services | \$475,000 | \$472,473 | \$440,697 |
| Professional services | 535,771 | 437,770 | 509,300 |
| Other costs | 111,513 | 129,607 | 134,550 |
| Totals | \$1,122,284 | \$ 1,039,850 | \$ 1,084,547 |

Major cost loads for this program remain fairly steady. The Water Trust Board Program is the second largest program of the Authority. The activity includes 1) loan origination, closing, servicing and closeout; 2) Severance Tax Bond draw compliance; 3) accounting and reporting functions to include reconciliation of activity, audit confirmation, payroll, invoice processing, budgeting and financial statement presentation. The activity is estimated to require 11,752 staff hours.

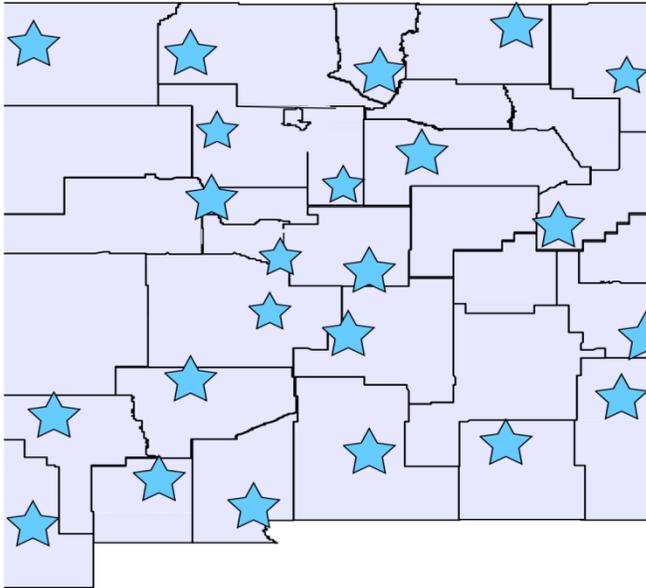
| Fiscal Year | Loans Disbursed | Grants Disbursed |
|-------------|-----------------|------------------|
| 2013 | \$ 6.4 million | \$42.0 million |
| 2012 | \$ 6.3 million | \$28.3 million |

WTB Costs by Category as a Percent of Total NMFA Budget by Category

| Category | 2015 | 2014 | 2014 Budget | 2013 Actual |
|-----------------------|-----------------|-------------------|---------------|---------------|
| | Proposed Budget | Actuals Estimated | | |
| Personal services | 10.22% | 10.86% | 9.28% | 11.05% |
| Professional services | 19.84% | 18.09% | 20.46% | 19.24% |
| Other costs | 8.58% | 9.99% | 10.12% | 9.7% |
| Totals | 12.97% | 12.89% | 12.66% | 13.18% |

NM Drinking Water State Revolving Fund

The Federal Safe Drinking Water Act (SDWA) Amendments of 1996 authorized a Drinking Water State Revolving Fund (DWSRF), a low-cost loan fund for community or non-profit non-community public water systems (PWSs) to finance the cost of repair and replacement of drinking water infrastructure, maintain or achieve compliance with SDWA requirements, and protect drinking water quality and public health. Pursuant to the 1996 SDWA Amendments, the State established the DWSRLF in 1997 with the passage of the Drinking Water State Revolving Loan Fund (DWSRLF) Act.



Where does the money come from?

Funds for this program come from three sources: State Revolving Loan Funds distributions from the federal government which are currently \$8 million, annually; New Mexico state match funds appropriated from PPRF; and repayments from the loan component of projects awarded.

| Fiscal year | Federal Cap Grant | State Matching funds | Repayments |
|------------------|-------------------|----------------------|-------------|
| 2014 - estimated | \$9,904,951 | \$2,978,273 | \$4,238,545 |
| 2013 | 4,042,994 | 449,222 | 3,389,558 |
| 2012 | 9,391,520 | 1,043,502 | 3,925,767 |

Where does the money go?

| Fiscal year | Projects ⁶ | NMED | Operating |
|------------------|-----------------------|-------------|-----------|
| 2014 - estimated | \$11,325,000 | \$2,542,000 | \$797,572 |
| 2013 | 4,191,861 | 1,759,405 | 666,826 |
| 2012 | 10,364,178 | 2,217,947 | 535,110 |

⁶ Includes loan components

Drinking Water State Revolving Fund Proposed Budget



| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget |
|-----------------------|----------------------|------------------------|------------------|
| Personal services | \$584,648 | \$506,195 | \$606,866 |
| Professional services | 156,987 | 162,402 | 94,210 |
| Other costs | 118,433 | 128,975 | 126,826 |
| Totals | \$860,068 | \$797,572 | \$827,902 |

Drinking Water Costs by Category as a Percent of Total NMFA Budget by Category

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget | 2013 Actuals |
|-----------------------|----------------------|------------------------|--------------|--------------|
| Personal services | 12.57% | 11.64% | 12.78% | 8.37% |
| Professional services | 5.81% | 6.71% | 3.78% | 7.48% |
| Other costs | 9.11% | 9.94% | 9.54% | 10.09% |
| Totals | 9.94% | 9.89% | 9.66% | 8.41% |

Major costs for this program remain fairly steady with a gradual increase in personal services as activity has increased. The Drinking Water Revolving Loan Fund is a federal program required to obtain a Single Audit. The activity includes 1) loan origination, closing, servicing and closeout; 2) Federal audit compliance which includes assessing costs for allowability, eligibility, reporting and disbursement of funds; 3) accounting and reporting functions to include reconciliation of activity, audit confirmation, payroll, invoice processing, budgeting and financial statement presentation. This program is budgeted for 12,500.8 staff hours.

Colonias

The purpose of the Act is to ensure adequate financial resources for infrastructure development for colonia recognized communities, provide for the planning and development of infrastructure in an efficient and cost-effective manner, and develop infrastructure projects to improve quality of life and encourage economic development.



| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget |
|-----------------------|----------------------|------------------------|------------------|
| Personal services | \$219,196 | \$141,970 | \$195,490 |
| Professional services | 109,694 | 232,347 | 106,478 |
| Other costs | 52,008 | 47,309 | 50,194 |
| Totals | \$380,898 | \$421,626 | \$352,162 |

Colonias Costs by Category as a Percent of Total NMFA Budget by Category

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget | 2013 Actuals |
|-----------------------|----------------------|------------------------|--------------|--------------|
| Personal services | 4.71% | 3.26% | 4.12% | 6.79% |
| Professional services | 4.06% | 9.60% | 4.28% | 5.92% |
| Other costs | 4.00% | 3.65% | 3.78% | 4.01% |
| Totals | 4.40% | 5.23% | 4.11% | 6.06% |

Costs for the Colonias Program fluctuate somewhat. This is largely due to the program being fairly new. Grant and loan agreement templates will be implemented and should result in more stable professional costs. Personal costs in 2013 were higher than is projected based on activity. This activity includes 1) loan origination and grant processing, closing, servicing and closeout, and Colonias Board coordination; 2) Severance Tax Bond draw compliance; 3) accounting and reporting functions to include reconciliation of activity, audit confirmation, payroll, invoice processing, budgeting and financial statement presentation. The activity is estimated to require 4,576 staff hours.

Government Planning Grant

Created in 2002 as the Water and Wastewater Planning Fund, the fund provides up-front capital necessary to allow for proper planning of vital water and wastewater projects with the requirement that the grantee repay the fund if the planning document resulted in a project. In 2005 the Legislature broadened the eligible planning documents to include water conservation plans and economic development plans and changed the name to the Local Government Planning Fund. In 2012, the Legislature again broadened the program to include all infrastructure plans and eliminated the repayment requirement making it a grant program.

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget |
|------------------------------|-----------------------------|-------------------------------|--------------------|
| Personal services | \$220,512 | \$168,295 | \$178,232 |
| Professional services | 112,594 | 45,063 | 61,780 |
| Other costs | 46,740 | 43,081 | 47,377 |
| Totals | \$379,846 | \$256,439 | \$287,389 |

LGPF Costs by Category as a Percent of Total NMFA Budget by Category

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget | 2013 Actuals |
|------------------------------|-----------------------------|-------------------------------|--------------------|---------------------|
| Personal services | 4.74% | 3.87% | 3.75% | 1.65% |
| Professional services | 4.17% | 1.86% | 2.48% | 1.4% |
| Other costs | 3.60% | 3.32% | 3.56% | .89% |
| Totals | 4.39% | 3.18% | 3.35% | 1.45% |

Professional costs for this program have fluctuated due to an increase in volume as a result of the broadened legislation in 2012. Personal services is experiencing an increase due to the increased volume as well as moving the legal work for this program in-house. This increased activity will drive other costs up. The activity includes 1) grant coordination 2) monitoring and 3) accounting and reporting functions to include reconciliation of activity, payroll, invoice processing, budgeting and financial statement presentation. This program is budgeted for 4,825.6 staff hours.

Major Business Programs



Molina Healthcare Data Center



Parq Central

Smart Money

Enacted in 2003, the Statewide Economic Development Finance Act (SWEDFA) authorizes the Finance Authority to issue bonds, make loans and provide loan and bond guarantees on behalf of private for-profit and non-profit entities.

In 2005, the Finance Authority created the Smart Money Loan Participation Program, a business lending program designed to use a \$5.1 million appropriation to create greater access to capital throughout New Mexico. In partnership with New Mexico Economic Development Department, the Finance Authority is able to leverage funds provided by local New Mexico banks for businesses that create quality jobs.

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget |
|------------------------------|-----------------------------|-------------------------------|--------------------|
| Personal services | \$80,806 | \$27,653 | \$107,086 |
| Professional services | 8,500 | 2,406 | 25,214 |
| Other costs | 9,070 | 14,124 | 19,296 |
| Totals | \$98,376 | \$44,183 | \$151,596 |

Smart Money Costs by Category as a Percent of Total NMFA Budget by Category

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget | 2013 Actuals |
|------------------------------|-----------------------------|-------------------------------|--------------------|---------------------|
| Personal services | 1.74% | 0.64% | 2.25% | .91% |
| Professional services | 0.31% | 0.10% | 1.01% | 2.56% |
| Other costs | 0.70% | 1.09% | 1.45% | 1.78% |
| Totals | 1.14% | 0.55% | 1.77% | 1.53% |

Costs for Smart Money fluctuate somewhat. Personal costs are based on activity. This activity includes 1) outreach, underwriting, closing, servicing, monitoring, enforcement and closeout; 2) accounting and reporting functions to include reconciliation of activity, audit confirmation, payroll, invoice processing, budgeting and financial statement presentation. Over the past two years, the Smart Money has had extraordinary monitoring costs associated with two troubled loans. The activity is estimated to require 1,372.8 staff hours.

Collateral Support

The Collateral Support Participation program is a federally funded bank participation program which allows the Finance Authority to partner directly with banks to provide capital to credit worthy businesses seeking to expand and create or retain jobs. Similar to the state-funded Smart Money, the Collateral Support Participation program focuses on short-term financings that lower the interest rate paid by the business and mitigate the bank's risk by purchasing a portion of the bank's loan, often in a subordinated collateral position. The amount of the Finance Authority's participation will vary based upon the location of the business, the term of the loan and the collateral position offered to the Finance Authority.

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget |
|------------------------------|-----------------------------|-------------------------------|--------------------|
| Personal services | \$267,772 | \$264,813 | \$297,080 |
| Professional services | 77,141 | 56,273 | 45,955 |
| Other costs | 83,707 | 77,972 | 68,734 |
| Totals | \$428,620 | \$399,058 | \$411,769 |

Collateral Support Costs by Category as a Percent of Total NMFA Budget by Category

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget | 2013 Actuals |
|------------------------------|-----------------------------|-------------------------------|--------------------|---------------------|
| Personal services | 5.76% | 6.09% | 6.25% | 1.67% |
| Professional services | 2.86% | 2.33% | 1.85% | 7.55% |
| Other costs | 6.44% | 6.01% | 5.17% | 4.53% |
| Totals | 4.96% | 4.95% | 4.81% | 3.86% |

Costs for the Collateral Support Participation program fluctuate based on activity. This activity includes 1) outreach, underwriting, closing, servicing, monitoring and closeout; 2) quarterly and annual federal reporting requirements; 3) accounting and reporting functions to include reconciliation of activity, audit confirmation, payroll, invoice processing, budgeting and financial statement presentation. The activity is estimated to require 6,500 staff hours.

New Market Tax Credits

Finance New Mexico was created in 2006 to help bolster the economy of the State of New Mexico. The limited liability company is owned by the New Mexico Finance Authority, a broad-based financing agency, and New Mexico Community Capital, a certified non-profit CDFI. The New Mexico Finance Authority acts as Managing Member and provides staff support to the Community Development Entity.

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget |
|------------------------------|-----------------------------|-------------------------------|--------------------|
| Personal services | \$366,920 | \$364,072 | \$354,367 |
| Professional services | 167,485 | 182,616 | 120,035 |
| Other costs | 140,783 | 123,412 | 124,568 |
| Totals | \$675,188 | \$670,100 | \$598,970 |

NMTC Costs by Category as a Percent of Total NMFA Budget by Category

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget | 2013 Actuals |
|------------------------------|-----------------------------|-------------------------------|--------------------|---------------------|
| Personal services | 7.89% | 8.37% | 7.46% | 3.47% |
| Professional services | 6.20% | 7.55% | 4.82% | 11.07% |
| Other costs | 10.83% | 9.51% | 9.37% | 7.15% |
| Totals | 7.81% | 8.31% | 6.99% | 6.30% |

Costs for New Markets Tax Credits has remained fairly stable. Personal costs are based on activity. This activity includes 1) loan origination, closing, servicing, monitoring and closeout; 2) federal reporting requirements; 3) allocation application activities; 4) investor reporting; 5) collateral and asset management; and 6) accounting and reporting functions to include reconciliation of activity, audit, payroll, invoice processing, budgeting and financial statement presentation. Finance New Mexico and its subsidiaries are audited separately from the Finance Authority. The activity is estimated to require 7,228 staff hours.

Other Programs

- **Behavioral Health Capital Fund** partners NMFA with the Human Services Department to finance the capital needs of small, non-profit behavioral health providers in rural and underserved areas of the state. The 2005 Legislature authorized NMFA to capitalize the fund with \$2.5 million from Cigarette Tax Revenue Bonds allowing NMFA to begin making loans in FY 2006. Working with the Department of Health, NMFA has taken the steps necessary to make this much-needed program available in FY 2006.
- **Child Care Fund** provides low cost loans to child care centers.
- **DOT (GRIP)** provides for grants and low-cost financial assistance for local governments transportation projects which are not eligible for federal funding and funding for which have not been set by the existing Local Government Road Fund.
- **The Primary Care Capital Program** is a revolving loan program which provides financial assistance to rural primary care health clinics for infrastructure, construction and capital equipment purchases. These loans provide for a 20 percent annual loan principal and interest forgiveness if the borrower agrees to a contract-for-services to provide medical care free or at reduced prices to sick and indigent clients.

| Other Programs | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget |
|------------------------------|-----------------------------|-------------------------------|--------------------|
| Personal services | \$175,343 | \$187,320 | \$224,181 |
| Professional services | 154,096 | 215,184 | 157,333 |
| Other costs | 44,105 | 51,325 | 68,695 |
| Totals | \$373,544 | \$453,829 | \$450,209 |

Other Programs Costs by Category as a Percent of Total NMFA Budget by Category

| Category | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget | 2013 Budget |
|------------------------------|-----------------------------|-------------------------------|--------------------|--------------------|
| Personal services | 3.77% | 4.31% | 4.72% | 6.82% |
| Professional services | 5.71% | 8.89% | 6.32% | 11.78% |
| Other costs | 3.39% | 3.96% | 5.17% | 6.41% |
| Totals | 4.32% | 5.63% | 5.25% | 8.17% |

Consolidated Proposed Budget

| All | 2015 Proposed Budget | 2014 Actuals Estimated | 2014 Budget | 2013 Budget |
|-----------------------|----------------------|------------------------|--------------------|--------------------|
| Personal services | \$4,650,000 | \$4,349,999 | \$4,750,001 | \$4,889,212 |
| Professional services | 2,700,001 | 2,420,000 | 2,489,477 | 2,435,013 |
| Other costs | 1,299,999 | 1,297,513 | 1,328,971 | 1,244,219 |
| Totals | \$8,650,000 | \$8,067,512 | \$8,568,449 | \$8,568,444 |

